The Rank Group Plc
Annual Report and Accounts
1999

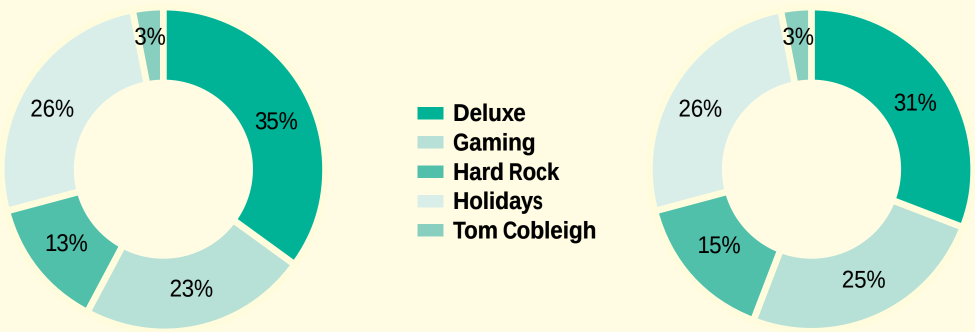
Contents

1999 was the year in which we began to reinvigorate and refocus the Group. The actions taken last year, together with those announced in the early part of 2000, demonstrate our commitment to maximising shareholder return.

The Rank Group Plc

£2,041m Turnover

£307m Operating profit



Turnover by division
(continuing operations)

Operating profit by division
(continuing operations)

Operating profit up 12%

Disposals totalling half a billion pounds

Proforma net debt down to £834m

36,000+
Employees

10,000,000+
Customers

Chairman's Statement

The buy-back of shares which we announced in February was both a positive statement of our intention to restore shareholder value and an indication of our confidence that significant cash will be generated.

There has been considerable change in the Rank Group in the last 12 months as our new Chief Executive, Mike Smith, has rapidly got to grips with the Group's structure, businesses, problems and opportunities. The actions he has taken have improved margins and reduced overheads, and capital expenditure, which peaked in 1999, is now being sharply curtailed as the essential programme of asset modernisation which began some two years ago was recently completed. Businesses have also been divested.

Operating profit before exceptional charges was up by some 12%, which is a creditable performance with revenues flat in a competitive climate. At the profit before tax level, this increase was more than offset by a poor result from our associate, Universal Studios Escape, and by increased interest charges. Negotiations are under way for Rank to withdraw from Universal Studios Escape and debt is being reduced substantially as our divestment programme proceeds.

There have also been changes at Board level, with Nigel Turnbull and Douglas Yates retiring at the year end. Each of them has given long and loyal service to Rank and I would like to take this opportunity of thanking them for their contribution to the Group. There is now a new team in position with Ian Dyson having joined us as Finance Director in September 1999 and Jerry Fowden, who has been Managing Director of Holidays division for the last three years, joining the Board with effect from 1 January. Finally, Cob Stenham steps down at the AGM in April after some 13 years as a non-executive Director, including nine years as Chairman of the Audit Committee. We shall greatly miss his experience and wisdom.

Mike Smith and his team have already made a significant impact, both by the substantial restructuring of our cost base and by achieving the significant divestments which have taken place. Nightscene was sold in November for £150m, and then in February we announced that we had concluded the disposal of Odeon for £280m and Pinewood Studios for £62m. In all three cases we have obtained excellent value for the assets which have been sold. I understand that there will be those who regret Rank's withdrawal from businesses which have played an important part in the Group's history, but these disposals have given us the flexibility to return funds to shareholders, to reduce debt, and to resource opportunities which will be available to our remaining businesses.

We have two strongly placed UK businesses, Gaming and Holidays, and two important businesses in the USA, Deluxe and Hard Rock. All have leading market positions and good growth opportunities. However, each will need capital to finance that growth, and we are reviewing innovative ways to move forward. A number of options are currently being carefully examined.

All these changes have affected many Rank people and I would like to record my thanks for the way in which everyone has continued to work in the Group's best interests, often in the face of some uncertainty. It has not been an easy time for shareholders or for employees, particularly during the last six months when the financial markets have been particularly volatile but have shown little interest in the Leisure and Entertainment sector. Inevitably, in Rank's case this has been exacerbated by a growing impatience to see the shape of the Group defined for the period ahead, but changes of the fundamental nature I have described have to be carefully thought through and they take time to achieve. However, Mike Smith and his team are now clear about the strategy which will be pursued for the four businesses on which we will focus. Having improved operating efficiency and reduced overheads, their key targets are the growth of revenues and the more focused use of capital to enhance profits in those areas where we have already established leading market positions.

Over the next year, the momentum for change which was established in 1999 will be accelerated. We must continue to grow profits in our mainstream businesses but we will take action to ensure that substantial funds are raised for return to shareholders, with debt maintained at prudent levels. The buy-back of shares which we announced in February was both a positive statement of our intention to restore shareholder value and an indication of our confidence that significant cash will be generated.

Sir Denys Henderson
Chairman

Chief Executive's Statement

1999 was the year in which we began to reinvigorate and refocus the Group.

1999 was the year in which we began to reinvigorate and refocus the Group. The actions taken last year, together with those announced in the early part of 2000, demonstrate our commitment to maximising total shareholder return.

Against a background of difficult conditions in some of our markets, we grew operating profit by 12%. This was a result of our actions on margins, costs and the restructuring announced last August, producing a reasonable financial outcome for the year.

This is the first tangible sign that the approach we described in August 1999 is having an impact. Specifically I can confirm that a reduction in fixed costs of £25m below the 1998 level will be achieved for 2000. Capital expenditure is being controlled so that we will achieve positive cash flow this year, before acquisitions and disposals, for the first time since 1994.

The results across our businesses were mixed. Deluxe film was strong but Deluxe video weak. Holidays showed improvement. Gaming was strong. Hard Rock profits were lower but we have taken significant measures to reposition the business for 2000. Tom Cobleigh improved.

The recently announced business disposals of Odeon and Pinewood Studios, together with the previously announced sales of Nightscene, Butlins hotels and Haven catered parks, total more than half a billion pounds. In making these disposals we not only raise funds but also avoid the capital expenditure necessary for the future development of these businesses. The cash raised gives us the much needed flexibility to reduce borrowings, tackle our capital structure, and prepare for small scale, value enhancing acquisitions.

We have made some small acquisitions, in particular the US DVD manufacturing facility bought this month from Pioneer at a cost of less than $20m. Through this transaction we have acquired DVD capability whilst not adding new capacity to the market. There is considerable scope for capacity expansion within the facility and we are guaranteed the existing Pioneer DVD and VHS volume. This is an important strategic move. We are already processing increased volumes of DVD through our distribution activities.

Following the recent disposals, whilst we still have some small businesses, we have retained at this time four major business groupings or divisions – Deluxe, Gaming, Hard Rock and Holidays – all of which have important brands with strong market positions capable of further development and growth. Within Deluxe we have achieved considerable expansion in film and made our initial investment in DVD. Holidays has opportunities to improve profits from the Butlins and Haven investments and the development plan for Warner. Gaming will continue to grow organically and there are real medium term hopes for liberalisation of legislation that will provide further scope for growth. Hard Rock will improve its core business following the changes made in 1999. Also, despite historical disappointments, we still believe that there is scope for brand related growth outside of the pure Hard Rock restaurant activities.

Within these major businesses the concentration in 2000 is to grow revenues using the now fully invested assets as a springboard. Accordingly management's attention is focused less on the 1999 priorities of cost and margin and more firmly on product enhancement and marketing. There are already reassuring signs of improvement.

We are regaining our confidence after a very difficult period. Given that we have now significantly reduced borrowings and ongoing cash conservation is the order of the day, there is less pressure on the short term cash position. This, together with the belief that further cash realisations will take place this year, means that we can mount a share buy-back programme whilst we continue to exhibit financial prudence.

We are gaining momentum in making the changes required at Rank. As always, there is a need to balance speed against the best outcome, but we have a number of further initiatives in active development including, of course, our efforts to sell our shareholding in Universal Studios Escape. Further refocusing is necessary and, in exploring our options, we include the prospect of involving strategic partners, particularly where this will accelerate the unlocking of shareholder value. As we go through this process we will continue to look at returning funds

to shareholders and at the Annual General Meeting we will seek approval for a further share buy-back of up to 15%.

We are aware that there remains much to do both in terms of performance improvement and adding focus to the Group. We made significant progress in 1999; we have tackled a number of problem areas and eliminated risks but more importantly begun to isolate real opportunities. In this regard it is worth noting that there have been a considerable number of personnel changes at Rank. Some new people, some promoted, but all determined to positively change the Group. Not surprisingly one benefit is that these people are more likely to look outside our traditional operating environments when seeking fresh opportunities for our brands and activities. We are actively pursuing these options and specific negotiations are in hand which again give us greater confidence for 2000 and beyond.

Mike Smith
Chief Executive

1999 – the album

The Rank Group is a leading leisure and entertainment company. Every year millions of people enjoy Rank's brands.

Rank's Business Structure

Deluxe

11150 Santa Monica Blvd
Suite 700
Los Angeles
CA 90025
USA

Tel 001 310 477 3234
Fax 001 310 996 1100

www. deluxe-ent.com

Managing Director Phil Clement

Deluxe Laboratories
3 laboratories in UK, US and Canada processed 3.2bn feet of film

Deluxe Video Services
Duplicated 305m video cassettes in US, UK, Germany, Spain, France, Portugal, Italy, Sweden and the Netherlands

DVD
30m DVDs distributed
Deluxe Optical Services – manufacturing and authoring
Electric Switch – authoring

Clients
MGM, Paramount, Sony, Twentieth Century Fox, Universal, Artisan, Miramax and New Line

Average number of employees 5,577

Turnover £636m

Operating profit £84m

Gaming

Stafferton Way
Maidenhead
Berks SL6 1AY

Tel 01628 504000
Fax 01628 504369

www.grosvenor-casinos.co.uk
www.uk-club-network.co.uk
www.mecca-bingo.co.uk

Managing Director David Boden

Gaming

Grosvenor Casinos
4 in London, 28 provincial and 2 in Belgium

Mecca Bingo
124 clubs in the UK and 7 in Spain

Rank Leisure Machine Services
32,000 Amusement Machines in UK leisure venues

Average number of employees 10,929

Turnover £406m

Operating profit £69m

Tom Cobleigh

Managing Director Rufus Hall

89 Pubs
(formerly part of Entertainment in the Leisure division now reported separately)

Average number of employees 2,944

Turnover £59m

Operating profit £8m

Discontinued

Odeon
75 cinemas sold for £280m in February 2000
(formerly part of Entertainment in the Leisure division – see page 21)

Pinewood Studios
Sold for £62m in February 2000
(formerly part of Deluxe division – see page 21)

Nightscene
53 outlets sold for £150m in November 1999
(formerly part of Entertainment in the Leisure division – see page 21)

Hard Rock

6100 Old Park Lane
Orlando
Florida 32835
USA

Tel 001 407 445 7625
Fax 001 407 445 9709

www.hardrock.com

Managing Director Pete Beaudrault

Hard Rock Cafes
55 owned – 4 new in 1999
49 franchised – 2 new in 1999

Hard Rock Live
Concert arenas in Orlando, Mexico City, Bali and Guadalajara
Weekly cable TV programme on VH-1 – 900,000 viewers

Hard Rock Hotels
Bali and Orlando (opening 2000)
Biloxi (opening 2001)

Merchandise
Variety of branded merchandise available at all cafes and via the website

Average number of employees 5,565

Turnover £240m

Operating profit £42m

Holidays

1 Park Lane
Hemel Hempstead
Herts HP2 4YL

Tel 01442-230300
Fax 01442-230368

www.butlins.co.uk
www.haven-holidays.co.uk
www.oasisholidays.co.uk
www.warnerholidays.co.uk
www.rusa.com

Managing Director Jerry Fowden

UK

Butlins
3 Family Entertainment Resorts at Minehead, Skegness and Bognor

Haven
56 caravan parks around the UK
All-action, lively, leisurely and relaxing

Haven Europe
47 sites in France, Spain and Italy
8 owned, 39 franchised

Warner
13 hotels and resorts

Oasis
Lakeland Forest Holiday Village in Cumbria

USA

Resorts USA
Timeshare, real estate and campgrounds

Brochure lines
Butlins Family Entertainment Resorts
Tel 0870 242 1000

Haven UK
Tel 0870 242 4444

Haven Europe
Tel 0870 242 6666

Warner
Tel 0870 601 6011

Oasis Forest Holiday Village
Tel 0870 508 6086

Average number of employees 11,123

Turnover £467m

Operating profit £72m

Universal Studios Escape (Associate)

Universal Studios Florida Existing theme park
Islands of Adventure New theme park
CityWalk Eating and entertainment venues including Hard Rock Cafe and Hard Rock Live
Portofino Bay Hotel Opened in 1999
Hard Rock Hotel Opens in 2000
Royal Pacific Resort Hotel Opens in 2001
Universal Studios Japan Rank has 10% stake. Opens spring 2001

Rank's share of turnover £189m

Rank's share of operating profit £21m

www.usf.com
www.universalstudiosescape.com

Deluxe

Deluxe Film Laboratories is the world's leading supplier of film processing services to the major producers and distributors of motion pictures. It had an excellent year in 1999, processing 23% more film footage than in 1998 – a new record at 3.2 billion feet. Titles included "The World is not Enough", "Eyes Wide Shut", "The Blair Witch Project" and "Runaway Bride". Some of this increased footage reflected a new US contract with Sony which enhanced Deluxe's already strong contractual position.

Deluxe Video Services duplicated over 300 million video cassettes in 1999. Deluxe responded to the increasing volume in the Digital Versatile Disc (DVD) market by acquiring Electric Switch, a London based DVD authoring company, and an agreement has now been entered into with Pioneer Video Manufacturing Inc., in the USA, to acquire its DVD assets. These acquisitions represent a strategic step by Deluxe to provide its customers with facilities and services in the DVD authoring and compression business.

Deluxe played a leading role in the latest James Bond film "The World is not Enough". Each day the daily film footage was developed by Deluxe Film Laboratories in Denham and returned to the director the next day. Gradually the negative was pieced together until the whole film, scene by scene, was finalised. Deluxe's film technicians used an advanced colour timing system to ensure the film had consistent colour values and density throughout to achieve the high quality required for showing on a cinema screen. Thousands of copies of the print were processed at each of the three laboratories and distributed to 26 different countries for the launch last November.

£636m
turnover

£84m
operating profit

Deluxe processed a record 3.2 billion feet of film and duplicated over 300 million video cassettes in 1999.

Life of a film

Film shooting > Negative development to film print > Duplication and physical distribution > Premier and general release > Video

color by deluxe

deluxe

DELUXE LABORATORIES, INC.

deluxe

DELUXE VIDEO SERVICES LIMITED

"That was the best film I've ever seen"

Gaming

Grosvenor Casinos opened two new casinos in 1999 – Salford near Manchester in June and Walsall near Birmingham in October; both were the result of new licences granted to Grosvenor. Newcastle casino was relocated to new, state-of-the-art, purpose built premises and Luton casino was totally refurbished. These clubs are stylish and modern and reflect Grosvenor's commitment to a more contemporary style to attract a wider audience, particularly younger players.

Further amendments to the gaming laws took effect in August. New members can now apply by post, fax or e-mail and no longer need to visit a club in person, and limited advertising has been permitted. Previous amendments include a reduction in the "cooling off" period for membership from 48 to 24 hours and an increase in the number of amusement machines from 6 to 10 per casino. Whilst Grosvenor welcomes these changes, the UK's gaming legislation continues to be totally outdated. The Home Office has announced that in 2000 it will establish an independent review body to design a new regulatory structure for the gaming industry.

Mecca Bingo launched a national advertising campaign in spring 1999. It was an enormous marketing exercise which included television and newspaper adverts and leaflets distributed to over 4 million UK households. The benefits were immediate with every Mecca Bingo club recording an increase in the number of membership applications and growth in admissions. It was a great boost to spring trading and the benefits remain ongoing.

Mecca continued to update its estate by relocating Wrexham and Dewsbury clubs to new purpose built premises and a new club was opened in Hunslet, Leeds.

Mecca's sister company, LinkCo Ltd, was granted a certificate of approval to operate multiple bingo games which are to be launched exclusively within Mecca clubs in 2000.

Rank Leisure Machine Services supplies 32,000 amusement machines to UK leisure venues.

Gaming increased profit by 19% in 1999.

£406m
turnover

£69m
operating profit

"That's me…
…I've WON!"

"The best night out I've had in ages"

104 Hard Rock Cafes in 36 countries around the world

Aspen
Atlanta
Atlantic City
Baltimore
Boston
Chicago
Cleveland
Dallas
Denver
Ft Lauderdale
Gatlinburg
Hollywood
Houston
Indianapolis
Key West
La Jolla
Lake Tahoe
Las Vegas
Los Angeles
Memphis
Miami
Myrtle Beach
Nashville
New Orleans
New York
Newport Beach
Niagara Falls US
Orlando
Philadelphia

Phoenix
Sacramento
Salt Lake City
San Antonio
San Diego
San Francisco
St Louis
Washington DC

Banff
Calgary
Edmonton
Kanata
Montreal
Niagara Falls CA
Ottawa
Toronto
Toronto Skydome
Vancouver
Whistler

Acapulco
Cabo San Lucas
Cancun
Cozumel
Guadalajara
Mexico City
Puerto Vallarta
Tijuana

Honolulu
Kona
Maui

Amman
Ankara
Bahrain
Beirut
Dubai
Manama
Sham El Sheikh

Amsterdam
Barcelona
Berlin
Copenhagen
Edinburgh
London
Madrid
Paris
Reykjavik
Rome
Stockholm

Melbourne
Surfers Paradise
Sydney

Bali
Bangkok
Beijing
Guam
Guangzhou
Hong Kong Island
Jakarta
Kobe
Kowloon
Kuala Lumpur
Manila
Nagoya
Osaka
Saipan
Seoul
Shanghai
Shenzhen
Singapore
Taipei
Tokyo
Yokohama

Hard Rock

£240m
turnover

£42m
operating profit

Hard Rock re-enforced its position as the world's leading themed restaurant brand by extending its estate with four new cafes in Amsterdam, Indianapolis, Fort Lauderdale and Gatlinburg. Hard Rock now has 104 cafes, 55 owned and 49 franchised, in 36 different countries around the world. In 2000 a third UK cafe will open in Manchester.

Hard Rock merchandise has implemented a new system enabling them to track trends in merchandise requirements to keep ahead of fashion demands. Their website www.hardrock.com has a full range of merchandise items available on-line.

Hard Rock launched its first ever advertising campaign in 1999 with ten cafes across the United States targeted for an experimental promotion. Captions, which were placed in tube stations and on buses, included "relive those moments you can't remember" and "green hair, nose rings, tattoos (and that's just the waitress)". The advertising campaign was successful in stimulating traffic at the cafes and will be expanded to additional markets in 2000.

Hard Rock Rockfest, a hugely successful outdoor concert, took place in Atlanta in June 1999. A rock 'n' roll audience of 129,000 people saw performances by 13 bands. The event was sponsored by Oldsmobile and proved very popular, especially with 17–30 year old Hard Rockers. Another Rockfest is planned for July 2000 in Chicago with an estimated attendance of 150,000. Hard Rock Live, a weekly cable television series, continues to increase the number of viewers with over 900,000 households watching per week.

Over 27 million people visited a Hard Rock Cafe in 1999.

Holidays

£467m
turnover

£72m
operating profit

Rank's Holidays division is the largest provider of UK short breaks and holidays. A centralised reservations and call centre is now fully operational supporting all the Holidays brands. Customers can request brochures and make booking enquiries through the internet and all brands have interactive websites and an on-line booking system is already on trial for Butlins and will be rolled out across the other holiday businesses by the end of the year.

Haven is Rank's leading and most profitable Holiday business. Haven's new contemporary brand logo and colour scheme is being progressively incorporated on all sites, both in the UK and in Europe, including the on-site activities Sports Zone, Splash Zone, Wave Zone, Tiger Club and the new club for young children – Paws. Haven opened two new sites, Craig Tara in Ayr, Scotland, and Hafan Y Môr in Pwllheli, North Wales, which were successfully converted from Butlins sites. Haven's customers can choose from a range of accommodation including Rory Jungle Village caravans and the new Gold cottage-style caravan. In 1999 Haven won both of the UK's most prestigious holiday company awards as voted by travel agents – Travel Weekly's Best Operator UK Holidays and Travel Trade Gazette's Top Domestic Holiday Company.

Haven Europe now owns eight sites in France after acquiring three new sites in 1999 – La Carabasse in the Languedoc, La Réserve in Aquitaine and La Pignade in Charente Maritime. All Haven Europe owned sites offer children's clubs, fabulous waterworlds, a variety of accommodation and family entertainment.

Customer response to the totally transformed holiday offering at Butlins Family Entertainment Resorts in Minehead, Skegness and Bognor Regis has been positive. The Skyline Pavilion is a massive weatherproof structure at the heart of each of the resorts, offering refreshment and entertainment including acrobats, jugglers, unicyclists, musicians, dancers and children's storytellers.

Warner won the World Travel Market's Environmental Company of the Year Award for its restoration of Grade I and Grade II listed buildings. Following the success of Cricket St Thomas another stunning new property, Thoresby Hall, a Grade I listed Victorian mansion in Sherwood Forest, Nottinghamshire, is included in the 2000 brochure. Warner Holidays are becoming increasingly popular with over 40% repeat bookings.

Oasis, described as "never was a place more accurately named" by the *Express* newspaper, has over 100 activities from exhilarating to relaxing, including the recently introduced riding stables, synthetic indoor ice skating rink and the soon to be opened Hard Rock Cafe.

Over 3.5 million customers visited Rank's Holidays businesses in 1999.

Haven Haven Europe Oasis Forest Holiday Villages NEW Butlins Family Entertainment Resorts Warner Just for adults

Tiger talk at Haven.

Taking the plunge at Oasis.

Hands up if you like Butlins.

Warner – young at heart.

“What a fabulous holiday – can we go again?”

Tom Cobleigh

Tom Cobleigh opened eight new pubs in 1999. A *Sun and Moon* was opened at each of the three Butlins Family Entertainment Resorts, the *Auld Bond* was opened in Perth and the *Tipping Hatter* in Aberdeen. Tom Cobleigh also opened its first pubs in the south of England – the *Gypsy Moth* in Croydon, the *Hop House* in Tunbridge Wells and the *Queen 'B'* in Chelmsford.

Universal Studios Escape (Associate)

Universal Studios Escape comprises Universal Studios Florida, Islands of Adventure which opened at the end of May, CityWalk and the Portofino Bay Hotel.

Discontinued

Odeon

Odeon, which included 75 cinemas, was sold for a consideration of £280m. For further details see page 21.

Nightscene

Rank's nightscene business, which included 35 nightclubs, 9 Jumpin' Jaks, 6 Hotshots and 3 ancillary leisure operations, was sold for a consideration of £150m. For further details see page 21.

Pinewood

Pinewood Studios was sold for a consideration of £62m. For further details see page 21.

Operating and Financial Review

	Turnover		Profit before tax	
	1999 **£m**	1998 £m	**1999** **£m**	1998 restated £m
Operating profit before exceptional items				
Deluxe	**636**	638	**84**	85
Gaming	**406**	402	**69**	58
Hard Rock	**240**	239	**42**	47
Holidays	**467**	492	**72**	61
Tom Cobleigh	**59**	47	**8**	7
Central costs and other	**–**	–	**(8)**	(17)
Continuing operations	**1,808**	1,818	**267**	241
Discontinued operations*	**233**	239	**40**	33
	2,041	2,057	**307**	274
Net income from associates and joint ventures			**–**	23
Managed businesses' interest			**(79)**	(50)
Profit before tax and exceptionals			**228**	247
Exceptional items			**(120)**	(330)
Profit (loss) before tax			**108**	(83)

*Discontinued operations include the results for Nightscene, Odeon and Pinewood Studios.

Basis of reporting

The presentation of the Group's results for 1999 reflects the following changes:

- implementation of FRS 12 "Provisions, contingent liabilities and contingent assets";
- change in accounting policy on pre-opening costs to write-off as incurred, rather than deferring and writing off over up to five years;
- disclosure of divisional results before allocation of central costs and other income; and
- disclosure of the results of individual businesses within each division.

The effect of the first two items is to reduce the 1998 profit before exceptional items by £6m. The impact on 1999 operating profit before exceptional items is not material. The third and fourth items have no impact on reported results, but amend the way in which divisional performance is presented. We firmly believe that highlighting the level of central and other costs separately from divisional performance and breaking down the divisions by business provides an improved insight into the Group's financial performance.
The 1998 divisional results have been restated to reflect these changes.

Summary of results

Operating profit before exceptional items was 12% ahead of 1998, despite turnover being marginally behind last year. This reflects significant improvements in margins, through more aggressive pricing and tight cost control, and the benefits of the restructuring announced in August 1999. Strong results in Gaming, Holidays and Deluxe film were offset by a difficult trading period for Deluxe video and reduced profits at Hard Rock. The performance of each division is analysed below.

Profit before tax (pre-exceptional) of £228m was 8% behind 1998, with the operating profit improvement more than offset by a poor performance from Universal and significantly higher interest charges. The Group's share of Universal was a net loss of £2m, compared to a profit of £22m in 1998. Operating profit was £5m behind 1998 and interest charges were up from £5m to £24m, reflecting the cessation of capitalisation of interest on the new park.

Interest payable was £79m (1998 – £50m) reflecting a higher level of net debt and lower interest capitalised.

Earnings per share before exceptional items were 19.9p (1998 – 22.0p).

Exceptional items

	£m
Exceptional items within operating profit	
Restructuring charge	(52)
Hard Rock	(46)
Exceptional items within associates	(46)
Non-operating exceptional items	32
Exceptional items within interest payable	(8)
	(120)

The restructuring provision of £52m comprises redundancy payments, provisions for vacant properties and other costs associated with the restructuring announced with the interim results in August. A further charge of between £5m and £10m, which does not qualify to be recorded in 1999 under FRS 12, is anticipated in 2000.

The exceptional charge against Hard Rock comprises the following:

	£m
Costs associated with the termination of the NBA agreement	23
Impairment charge required under FRS 11	13
Provisions against investments and receivables	10
	46

The NBA charge includes a compensation payment of £7m, an impairment provision against the owned NBA City Cafe in Orlando of £7m and costs associated with the termination of this business venture, including provisions for future obligations, of £9m.

A further impairment charge of £13m has been made, as required by FRS 11, relating to a number of under-performing owned cafes. Provisions against investments and receivables reflect write-offs associated with various joint ventures and other commercial relationships related to the extension of the Hard Rock brand.

The Group changed its accounting policy on pre-opening costs in 1999. The change to the policy is to write off these costs as incurred rather than deferring them and writing them off over a period of up to five years. This resulted in an exceptional charge for the Group's share of pre-opening costs incurred by Universal during the year. The impact on the Group's managed businesses was not material.

Non-operating exceptional items include the profit on sale of Nightscene of £33m.

During the year, the Group pre-paid £100m of expensive US$ private placement debt, giving rise to a one-off exceptional charge of £8m, included in interest payable.

Divisions

All references to operating profit are before exceptional items and before the allocation of central costs.

Deluxe

	Turnover		Operating profit	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Film processing	**266**	222	**48**	39
Video duplication	**370**	416	**36**	46
	636	638	**84**	85

Film processing had an excellent year. A strong film line up, an enhanced contractual position and an improved European contribution led to record film footage processed of 3.2bn feet, an increase of 23% over 1998. Turnover was up 20% and continued focus on operating efficiencies, particularly with the increasing use of the lower cost facilities, led to improved margins and a 23% increase in operating profit. Titles included the Star Wars film "The Phantom Menace", "Eyes Wide Shut" and the James Bond film "The World is not Enough".

We are currently building a new laboratory in Italy which will be operational by the end of this year. This will enable us to improve service to our UK and European customers as we will be able to balance demand better at peak times.

Video duplication had a difficult year with a general lack of big titles from our customers resulting in a 17% reduction in the volume of cassettes duplicated. Operating profit was down by 22% to £36m, reflecting the high fixed cost base of the business. Action was taken in the second half of the year to improve operating efficiency and further restructuring is in progress to enable greater utilisation of the lower cost Arkansas facility.

During the year we expanded the European network with the acquisition of three duplication facilities in Sweden, Holland and Italy.

Deluxe is a major distributor of DVDs with over 30m being shipped in 1999 (1998 – 8m). Further steps have been taken to participate in this high growth product market by entering into an agreement to acquire the DVD replication business of Pioneer Video Manufacturing Inc., based in Los Angeles. Electric Switch, a London based DVD authoring company, was also acquired. The Pioneer acquisition will provide Deluxe with a foothold in DVD replication and includes the existing DVD volume and a contract for video duplication and distribution. The facility is capable of significant future expansion to meet the increasing demand from customers. Initial discussions are in progress to further extend Deluxe's position within DVD.

Gaming

	Turnover		Operating profit	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Mecca Bingo	**230**	230	**50**	43
Grosvenor Casinos	**123**	114	**18**	14
Rank Leisure Machine Services	**53**	58	**1**	1
	406	402	**69**	58

Gaming Division had an excellent year with operating profits up by 19%, with both Mecca Bingo and Grosvenor Casinos performing strongly. Their performance has continued to be strong in the first two months of 2000.

Mecca continues to out-perform the market, achieving substantially higher admissions and profits per club than other major operators. Operating profit was up 16%, reflecting Mecca's strategy to attract more regular, high yielding, bingo players which has resulted in spend per head up 9% to almost £8. The strategy has been supported by a national advertising campaign, which included TV and newspaper coverage. Tight control of costs has improved the operating profit margin to 22% (1998 – 19%). During the year Dewsbury and Wrexham clubs were relocated and a new club was opened in Hunslet, Leeds. Five under-performing clubs were closed.

Grosvenor Casinos performed exceptionally well increasing turnover and operating profit by 8% and 29% respectively. The London casinos increased admissions by 4%, assisted by the completion of the refurbishment at the Grosvenor Victoria, and handle per head increased by 11%. The Clermont benefited from an increase in the number of quality players which led to a significant increase in handle per head and profit contribution. The provinces increased admissions by 3% and handle per head by 8%.

Two new casinos opened in 1999, Salford and Walsall, both of which were the result of new licence applications. The Newcastle casino was relocated and has improved profits considerably. Grosvenor is seeking licensing approval for further casino relocations in 2000.

Hard Rock

	Turnover		Operating profit	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Hard Rock	**240**	239	**42**	47

1999, particularly the second half, was a period of significant change for Hard Rock. Greater emphasis has been placed on the need to improve the results of the core cafe estate. These efforts will also give confidence to current or anticipated franchise holders.

The increased focus on the day to day cafe business has already started to come through in both revenues and cost performance. The like for like sales decline was 9.2% for 1999 (1998 – 10.6%), but was 6.7% in the fourth quarter and this has been maintained in the first two months of 2000. These improved like for like percentages were helped by an advertising campaign, the first in Hard Rock's history, which stimulated traffic to the cafes. An expanded campaign is planned for spring and summer of 2000. Overall margin performance improved, particularly in merchandise. Cafe labour costs were strictly controlled.

In addition to improvements at cafe level, the head office has been restructured which will result in a full year reduction in costs of £6m.

Despite these actions, operating profit was down from £47m to £42m. The improvements in the core business were more than offset by a lack of one-off income from franchise sales and brand extensions (1998 – £6m).

We will continue the pursuit of diversification for Hard Rock but our efforts will centre on leveraging the Hard Rock brand. As a consequence of this approach, the decision was taken to withdraw from our arrangement with the NBA, which had required the Group to finance and build up to ten NBA City restaurants worldwide over the next four years. This decision has resulted in an operating exceptional charge of £23m. A further exceptional write-off of £10m has been made against various joint ventures and commercial arrangements, including Hard Rock Beer.

Holidays

	Turnover		Operating profit	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Butlins	**88**	127	**(2)**	3
Haven	**253**	239	**42**	42
Warner	**59**	52	**14**	12
Oasis	**37**	36	**9**	3
Intra-group and other	**(17)**	(17)	**–**	–
	420	437	**63**	60
Resorts USA	**47**	55	**9**	1
	467	492	**72**	61

Holidays operating profit grew by 18% with like for like operating profit up 28%, after adjusting for disposals, acquisitions and new openings. UK like for like growth was 15%, despite a difficult UK holiday market. Turnover declined due to the reduced capacity at the two Haven, ex-Butlins sites, Ayr and Pwllheli, and the disposal of Haven's catered parks and Butlins hotels.

Butlins results were disappointing, although there was an improvement over 1998 after adjusting for the disposal of hotels and transfer of Ayr and Pwllheli to Haven. The three Butlins Family Entertainment Resorts at Skegness, Bognor and Minehead opened at Easter 1999. Like for like summer bookings (May to October) were broadly in line with expectations with a 12% increase in tariff income but the remainder of the year fell below expectations. Retail spend increased slightly and customer satisfaction was high. However, operating costs, including initial opening costs and the impact of the national minimum wage and the working time directive, were higher than anticipated.

We have learnt lessons in 1999 and these will help us to meet the challenge of improving performance. We need to achieve high winter, as well as summer, occupancy and this will require adjustments in 2000 to the winter marketing programme, which will be targeted at specific audience groups. The launch of Butlins.co.uk has enabled customers to book a Butlins holiday on-line. We will also continue to focus our attention on operational effectiveness and in this regard our experience at Oasis is to expect that the run up period will stretch through 2000.

Haven's core business was strong with like for like park tariff up 3%. Overall operating profit was flat as the benefit from the addition of Ayr, Pwllheli and Campotel was offset by the disposal of four Haven catered parks. Haven had a record year for caravan sales with over 4,200 caravans sold, an increase of 4%. Haven Europe performed well and acquired three sites, increasing the number of owned sites to eight.

Warner's operating profit was up 17% with tariff growth of 14%. Cricket St Thomas in Somerset opened last September, and Thoresby Hall in Nottinghamshire is due to open in September 2000.

Oasis significantly improved profitability with tariff growth of 9%, retail spend of 5% and tight control of operating costs. It benefited from significant repeat business from satisfied customers and is expected to improve further this year, helped by the addition of a Hard Rock Cafe which will open at Easter this year.

Resorts USA, which is being run at a reduced level of activity with lower overhead costs and a focus on cash generation, increased profits to £9m and generated cash of £15m, thereby justifying the decision to retain the business in the short term.

Tom Cobleigh

	Turnover		Operating profit	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Tom Cobleigh	**59**	47	**8**	7

Tom Cobleigh improved turnover as a result of new openings and a steady improvement in like for like sales which were up 2% in the second half. Eight new pubs opened in the year including one in each of the three Butlins Family Entertainment Resorts, two in Scotland and the first three in the south of England.

The 14% improvement in operating profit was driven by the increase in turnover. Changes to marketing and the successful launch of a new menu broadened the appeal of the pubs to a wider range of customers. Margin improvements were achieved by pricing reviews and improved purchasing. Profits were held down by the absorption of launch and pre-opening costs during the year.

Central costs and other income

Central costs and other income decreased from £17m in 1998 to £8m in 1999. This reflects a significant reduction in central overheads following the restructuring announced in August and the inclusion of one-off income in 1999 of £4m.

Discontinued businesses

	Turnover		Operating profit	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Odeon	**143**	127	**23**	20
Nightscene	**75**	99	**12**	9
Pinewood Studios	**15**	13	**5**	4
	233	239	**40**	33

Nightscene was sold in November 1999 to Northern Leisure for £150m. Subsequent to the year end, the Group has announced the disposal of Odeon to Cinven for £280m and Pinewood Studios to a consortium led by Michael Grade for £62m.

Associates

Universal Studios Escape

	First half		Second half		Full year	
Rank Share	**1999 £m**	1998 £m	**1999 £m**	1998 £m	**1999 £m**	1998 £m
Turnover	**75**	58	**114**	56	**189**	114
Operating profit	**17**	13	**4**	14	**21**	27
Interest	**(6)**	(3)	**(17)**	(2)	**(23)**	(5)
Net income	**11**	10	**(13)**	12	**(2)**	22

Islands of Adventure opened at the end of May 1999. Performance has fallen short of expectations, particularly in the fourth quarter. This was due to a combination of weakness in the Orlando market, poor weather, including unprecedented hurricane activity, and a disappointing millennium (in line with most destinations in the USA). Actions have been taken to address the position, in particular in the area of sales and marketing. The poor attendance figures resulted in operating profit of £4m in the second half of 1999, compared to £14m in 1998 and £17m in the first half of the year, prior to the opening of the new park.

The Group's share of interest was £23m (1998 – £5m) with the increase reflecting the cessation of capitalisation of interest on the debt funding associated with Islands of Adventure.

British Land

The British Land joint venture made a contribution after interest of £2m in 1999 (1998 – £1m).

Interest

	1999 £m	1998 £m
Interest incurred	**96**	89
Interest capitalised	**(11)**	(17)
Amortisation of discount on Xerox proceeds	**(8)**	(23)
Amortisation of capitalised interest	**2**	1
Managed business interest	**79**	50
Net debt	**1,162**	1,057

Interest incurred increased by 8%, reflecting higher levels of average net debt, with the significant capital expenditure offsetting the impact of receipts from the disposal of businesses. Interest capitalised was lower due to the opening of Islands of Adventure in May 1999. The final £220m payment in respect of the sale of the Group's investment in Rank Xerox was received on 30 June 1999, with £220m having been received a year earlier. These payments account for the reduction in the amortisation of the discount on Xerox proceeds. Amortisation of capitalised interest relates to the Group's interest in Universal.

The average cost of borrowing was 7.3% (1998 – 8.2%). Interest cover, expressed as the ratio of Group operating profit before exceptional items to managed business interest, was 3.9 times (1998 – 5.5 times). The fixed charge cover, excluding lease commitments, was 3.1 times (1998 – 3.9 times).

Exchange rates

The net translation effect of changes in foreign currencies was to increase profit before tax and exceptional items by £2m.

Taxation

The tax rate on Rank managed businesses, excluding exceptional items, was 22.4% (1998 as restated: 23.2%). In the United Kingdom, the tax charge has benefited from both the previous disclaimer of capital allowances, with allowances in the year exceeding the depreciation charge, and the abolition of Advance Corporation Tax effective after 5 April 1999. The tax charge on the Group's overseas profits has benefited from the tax losses available in the United States.

Cash flow

	1999 £m	1998 £m
Cash inflow from operating activities	**315**	360
Capital expenditure	**(385)**	(440)
Fixed asset disposals	**31**	178
Operating cash flow	**(39)**	98
Distributions from associates	**16**	24
Acquisitions	**(11)**	(46)
Investments	**(85)**	(131)
Disposals	**376**	237
	257	182
Interest, tax and dividend payments	**(331)**	(207)
	(74)	(25)

Net cash inflow from operating activities was £315m (1998 – £360m). The reduction is due to adverse movements in working capital mainly associated with contract prepayments in Deluxe.

Capital expenditure by division was as follows:

	1999 £m	1998 £m
Deluxe	**45**	49
Gaming	**42**	79
Hard Rock	**32**	50
Holidays	**182**	154
Tom Cobleigh	**12**	25
Discontinued operations	**72**	83
	385	440

Expenditure in the first half of the year was £253m, but has slowed significantly in the second half as major capital programmes (e.g. Butlins) have been completed.

Acquisitions in 1999 were Campotel, Electric Switch and Deluxe video duplication facilities in Italy, Holland and Sweden. Investments include expenditure related to Universal Studios Escape and Universal Studios Japan. Cash received from disposals included Nightscene (£139m) and Rank Xerox (£220m).

Interest, tax and dividend payments were higher in 1999 due to the deferred payment of £32m for the 1998 interim dividend. The 1997 final dividend was subject to a scrip alternative effectively reducing total cash paid in 1998.

Borrowings

At 31 December 1999, net debt was £1,162m compared with £1,057m at 31 December 1998. 77% of net debt was denominated in US and Canadian dollars with most of the balance in Sterling.

Net debt as a percentage of shareholders' funds was 98% compared with 86% at 31 December 1998.

Subsequent to the year end, the Group announced the disposal of Odeon and Pinewood Studios. The impact of these disposals is to reduce net debt at 31 December 1999 to £834m on a proforma basis. Proforma gearing reduces to 60% and fixed charge cover improves to 3.7 times.

During the year, Rank was released from its guarantee of half of the $1.5bn bank facilities arranged for the expansion of Universal Studios Escape.

At the year end, the Group had committed facilities available amounting to £1,662m. Of these facilities, £106m matures by December 2000 representing primarily a Sterling denominated Eurobond due for repayment in April 2000. This will be refinanced from existing bank facilities. The balance of facilities is adequate to meet Rank's immediate needs. Further bank facilities totalling £972m will mature in July 2001 and steps will be taken to consider the refinancing of these facilities later in the year.

During the year, the Group repaid $155m of US private placements which carried high rates of interest. There was an exceptional interest charge of £8m incurred in relation to this. The repayment was financed from existing bank facilities.

The Company's Articles of Association provide that borrowings shall not exceed one and a half times the adjusted share capital and consolidated reserves of Rank. As at 31 December 1999, this limit was £1,776m compared with relevant borrowings of £1,195m.

Treasury policy

Rank seeks to achieve certainty of value on its foreign currency purchases and sales by buying or selling forward a portion of its estimated net currency requirements up to a year ahead, or longer where an external currency exposure exists, or is forecast to exist. At 31 December 1999, at least 70% of anticipated core currency transaction exposures for the following 12 months had been hedged. Balance sheet currency exposure in respect of investments in overseas subsidiaries is minimised by hedging the underlying asset position with currency borrowings.

Rank seeks to protect itself against material adverse movements in interest rates by undertaking controlled management of the interest rate structure on Group investments and borrowings. This exposure is managed by fixing interest rates on a portion of the Group's borrowings dependent on the level of gearing. At the year end 56% of net borrowings were at fixed rates of interest for a period of more than one year.

The Directors review and agree the broad policies and guidelines for all significant areas of treasury activity, including key ratios, funding and risk management. Implementation of these policies is carried out by the Group treasury department, under close management direction. The treasury function is not operated as a profit centre.

Rank uses off-balance sheet financial instruments, including foreign exchange forward contracts and interest rate swaps, in its management of exchange rate and interest rate exposures. Off-balance sheet financial instruments are only used to hedge underlying commercial exposures. Therefore while these instruments are subject to the risk of loss from changes in exchange rates and interest rates, such losses would be offset by gains in the related exposures. Rank does not speculate in derivative financial instruments. Realised and unrealised gains and losses on foreign exchange forward contracts that hedge firm third party commitments are recognised in income in the same period as the underlying transaction. Net interest paid or received on interest rate swap contracts is included in net interest expense.

Further information on borrowings and financial instruments is contained in notes 18 and 19 to the accounts.

Risk management

Rank's financial exposure to risk is reduced by its geographical spread, the wide range of products and services offered, its treasury policies and insurance. As a leisure and entertainment group, Rank is primarily affected by levels of consumer spending and trends in leisure activities.

Rank carries catastrophe insurance, but self-insures at lower levels of exposure. Overall, considerable emphasis is placed on the need for strict internal financial controls in all Rank's operations and these are regularly reviewed by its internal auditors.

Year 2000

Up to the date of this report, no significant problems have emerged either with the Group's systems or with those of its suppliers and customers, and no material amounts have been charged to the profit and loss account. While the nature of the Year 2000 issue is such that problems could still arise in the forthcoming months, the Group does not expect to experience any such difficulties. Should any such eventuality arise, the Group has suitable contingency plans in place.

Shareholders' funds

Shareholders' funds were £1,184m at the end of 1999 compared with a restated £1,229m at the end of 1998. The reduction in 1999 is due principally to the exceptional charges made in the year.

Net assets per Ordinary share at 31 December 1999 were 125p, compared with 131p at the end of 1998.

Directors' Report

The Directors submit their Report and Statement of Accounts for the year ended 31 December 1999.

Principal activities and business review

Rank is one of the UK's leading leisure and entertainment companies and an international provider of services to the film industry. In 1999, leisure and entertainment activities included Hard Rock Cafes and global rights to the Hard Rock brand, gaming, cinemas, nightclubs, themed bars, pub restaurants and multi-leisure centres, and holiday resorts. Rank also owns film processing and video duplication and distribution facilities and has a 50% investment in Universal Studios Escape, which operates two major theme parks in Orlando, Florida. Rank operates primarily in the United Kingdom and North America, although it also has activities in continental Europe and other parts of the world.

In November 1999, Rank sold its nightclub and themed bar businesses for a consideration of £150m. There were no material acquisitions in the year. Since the year end, Rank has sold Odeon for a consideration of £280m and Pinewood Studios for a consideration of £62m.

An analysis of turnover, profit, operating assets and net cash flow by business activity is given on pages 42 and 43. The Group's continuing activities and businesses are reported on in the Operating and Financial Review.

Result and dividends

Profit before tax for the year was £108m (1998 loss £83m). Profit for the year after tax and minority interests was £68m (1998 loss £141m).

The Directors recommend a final dividend of 8.0p per Ordinary share which, together with the interim dividend of 4.0p already declared, makes a total for the year of 12.0p per Ordinary share (1998 18.50p). Subject to approval at the Annual General Meeting, the final dividend will be paid on 5 May 2000 to those shareholders whose names are on the register on 7 April 2000.

Fixed assets

The Directors have considered the total net book value of land and buildings and are of the opinion that it is not significantly different from market value at 31 December 1999.

Share capital

Details of the new Ordinary shares issued pursuant to the exercise of options under Rank's share option schemes are set out in note 23 on pages 55 and 56. Note 23 also contains details of the Ordinary shares issued pursuant to the conversion of the Company's Convertible Preference shares.

A resolution will be proposed at the Annual General Meeting to authorise the Directors to allot and grant rights over the unissued share capital and to authorise the Directors to allot and grant rights over Ordinary shares for cash up to a maximum nominal amount representing 5% of the issued Ordinary share capital, without first making a pro rata offer to all existing Ordinary shareholders.

A resolution will also be proposed at the Annual General Meeting to authorise the Company to purchase up to 15% of its Ordinary shares at or between the minimum and maximum prices specified in the resolution set out in the notice of meeting. The authority would only be exercised by the Directors if they considered it to be in the best interests of shareholders generally and if the purchase could be expected to result in an increase in earnings per share.

Directors

The current Directors of the Company are listed on page 33. All of them were Directors of the Company throughout the year, except Mike Smith and Ian Dyson, who were appointed Directors with effect from 1 April 1999 and 13 September 1999 respectively, and Jerry Fowden who was appointed a Director with effect from 1 January 2000. Ian Dyson and Jerry Fowden will retire at the Annual General Meeting and, being eligible, will offer themselves for election; details of their service contracts are given in the Remuneration Report on pages 26 to 30. Nigel Turnbull and Douglas Yates resigned as Directors on 31 December 1999.

Christine Morin-Postel (a member of the Audit Committee) and John Sunderland (a member of the Remuneration Committee) will retire by rotation at the Annual General Meeting and, both being eligible, will offer themselves for re-election. Neither has a service agreement with the Company. Cob Stenham will also retire at the Annual General Meeting but is not offering himself for re-election, having served as a Director of Rank for 13 years.

The interests of the Directors in the shares of the Company, together with their remuneration, are detailed in the Remuneration Report. Biographical details of the Directors are given on page 33.

Human resources

The Company values the contribution that its employees make to the success of the business. Substantial investment is made in the training, development and motivation of staff with particular focus on ensuring customer satisfaction through the consistent achievement of high standards of personal care and service. The involvement of employees in the success of the business is encouraged through Company-wide communications and consultation programmes.

The Company endorses the active application of equal opportunities policies and programmes to provide fair and equitable conditions for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age, disability or sexual orientation.

Payment of suppliers

The Company and its subsidiaries agree terms and conditions for their business transactions with their suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. Given the diversity of the Group's businesses and the widely differing credit terms which apply in the various industries and territories in which they operate, the Directors consider that it is not meaningful to disclose an average period of credit taken.

Significant shareholdings

At the date of this report the Company has been notified of the following interests over its Ordinary shares in accordance with Sections 198 to 208 of the Companies Act 1985: UBS UK Holding Ltd (78,128,018 – 10.10%), Schroder Investment Management Ltd (75,193,045 – 9.72%), AXA-UAP S.A. (56,347,782 – 7.28%), Prudential Portfolio Managers Ltd (38,346,779 – 4.96%), The Capital Group Companies Inc (26,304,934 – 3.40%), Halifax Group plc (24,912,908 – 3.22%) and BT Pension Scheme (23,495,185 – 3.04%).

Charitable and political donations

Charitable donations made in the UK during the year amounted to £164,000 (1998 £180,000). Overseas companies supported a variety of local and national charities and in particular, Hard Rock Cafe International Inc. donated approximately US$365,000 (1998 US$565,000), continuing its focus on humanitarian and environmental causes. The Company made no political donations in the year.

Auditors

In accordance with Section 385(1) of the Companies Act 1985, a resolution to reappoint PricewaterhouseCoopers as auditors, at a remuneration to be agreed by the Directors, will be placed before the Annual General Meeting.

By Order of the Board

Charles Cormick
Secretary, The Rank Group Plc, Registered No. 3140769
Registered Office:
6 Connaught Place, London W2 2EZ

24 February 2000

Remuneration Report

The Board has established a Remuneration Committee with formal terms of reference which include making recommendations on the Company's framework of executive remuneration and its cost, and determining on behalf of the Board the specific remuneration, benefits and employment packages of the Chairman of the Company and its executive Directors.

The Remuneration Committee

The Remuneration Committee is comprised solely of non-executive Directors who bring a wide range of experience from other organisations. The Committee is chaired by Peter Jarvis, Chairman of Debenhams plc, and its other members are Hugh Jenkins, Chairman of Development Securities Plc, and John Sunderland, Group Chief Executive of Cadbury Schweppes plc. They have no personal financial interest other than as shareholders in the matters to be decided, no potential conflict of interest arising from cross directorships and no day to day involvement in running the business of the Group.

The Committee regularly reviews the Company's remuneration policies and practices to enable it to make appropriate recommendations to the Board. In determining appropriate remuneration packages, the Committee consults with both internal and external professional advisers and specifically pays attention to pay and employment conditions existing within the Group, including current and anticipated levels of pay increases.

The Chairman and the Chief Executive are in attendance at Committee meetings except for when their own remuneration is being considered.

Company policy on executive Directors' remuneration

During the year the Committee again reviewed and confirmed its policy on executive Directors' remuneration, which is designed to ensure that the Chairman and executive Directors are rewarded competitively in relation to other companies in order to attract, retain and motivate them to meet the reasonable expectations of shareholders. The principal elements of the policy, which has been approved by the Board, are as follows:

- All benefits including pensions will be provided on the basis that they are consistent with good practice among comparable companies and are market competitive.
- Base salaries will aim to be market competitive with similar positions in comparable companies. Due to the nature of the Rank Group, there is no company which is directly comparable, and therefore pay comparisons of individual positions are made against similar positions in a range of relevant companies. It is the Company's policy to pay base salary at the median level for like positions within this group of companies.
- In addition to base salary, Directors will be given the opportunity to receive additional remuneration based on their contribution to the overall performance of the Company.
- Performance linked remuneration will normally be measured on performance over not less than one complete financial year, and there will be a greater emphasis on performance over three years.
- The balance between base salary, annual bonuses and longer term incentive arrangements will be adjusted to conform to market competitive practice amongst comparable companies, using a total remuneration methodology.
- Directors' annual bonuses, which will be paid in cash, and longer term incentives, which will be paid in Ordinary shares of the Company, are not pensionable.
- Share options will continue to play a part in Rank's remuneration policy. The number and frequency of issue will reflect market competitive practice.
- All Directors will be actively encouraged to build up and retain in their own right a holding of not less than one times annual salary in Ordinary shares of the Company.
- Executive Directors may draw a pension without actuarial reduction from age 60, being their normal retirement date.

Annual salary and benefits

The Committee continues to follow the broad principle that base salaries should be paid at the median level in comparison with comparable jobs in selected relevant companies. For guidance in determining base salaries, the Remuneration Committee uses published job matched surveys undertaken by professional remuneration consultants and in addition, in 1999 the Remuneration Committee again commissioned its own independent review of remuneration of Rank Directors.

Benefits include a car, or cash allowance in lieu, and life, disability and health insurance.

Annual bonus

The annual bonus scheme operated in the year provided for cash bonuses up to a maximum payment of 50% of base salary. The criteria of the scheme comprised pre-tax profit, an element relating to the amount of capital employed and normalised earnings per share growth. In addition, for 1999 only an additional cash bonus of up to 10% of base salary was available for the achievement of certain profit targets.

The Committee considers that the performance conditions applying to annual bonus schemes are relevant, stretching and designed to enhance the business and that this results-driven approach is in the interests of shareholders.

Details of bonuses earned by Directors in the year are given in the Directors' emoluments table on page 27.

Remuneration

The remuneration of the Chairman and all Directors in the year is detailed in the table below.

Pensions and pensionable remuneration

Each executive Director is a member of Rank's Pension Plan which is a defined benefit scheme and provides, subject to Inland Revenue limits, for a pension at age 60 equal to 1/30th of the individual's pensionable earnings multiplied by his pensionable service, subject to a maximum of 20 years. Pensionable earnings are defined as PAYE earnings of an individual. Directors' annual bonus payments are not pensionable. The cash values of other benefits in kind are not included within pensionable scheme earnings and this element of remuneration is non-pensionable.

The amount of pension which can be provided by the Rank Pension Plan is restricted in the cases of Mike Smith and Ian Dyson as they are subject to the limit imposed by the Finance Act 1989 on that part of an employee's pension which can be funded through an approved scheme. The current limit is a pension on a salary of £90,600. In the case of Mike Smith the Company has therefore agreed to pay an amount equal to 45% of his base salary into an unapproved retirement benefit scheme, which is a defined contribution scheme, with effect from 1 January 2000; in 1999 Mike Smith received a salary supplement of 45% of his base salary. In the case of Ian Dyson, the Company has agreed to pay a supplement to his salary of an amount equal to 20% of his base salary.

Pension entitlements have been disclosed in accordance with the requirements of the Listing Rules of the London Stock Exchange and, in particular, details are given of the transfer value (less Directors' contributions) of the relevant increase in accrued benefit, calculated in accordance with Actuarial Guidance Note GN11 but making no deduction for any underfunding, as at the end of the period.

Directors' emoluments
Chairman and executive Directors

	Basic salary		Benefits		Bonus		Total emoluments excluding pensions	
	1999 £000	1998 £000	**1999 £000**	1998 £000	**1999 £000**	1998 £000	**1999 £000**	1998 £000
Ian Dyson[1]	**70**	–	**3**	–	**76**	–	**149**	–
Sir Denys Henderson	**275**	271	**15**	20	**–**	–	**290**	291
Mike Smith[2]	**338**	–	**11**	–	**149**	–	**498**	–
Nigel Turnbull	**263**	252	**22**	21	**87**	–	**372**	273
Douglas Yates	**323**	292	**14**	12	**87**	–	**424**	304

Non-executive Directors' emoluments

	1999 £000	1998 £000
Peter Jarvis	**29**	29
Hugh Jenkins	**25**	25
Christine Morin-Postel	**25**	25
Cob Stenham	**29**	29
Oliver Stocken	**25**	6
John Sunderland	**25**	25

Pension entitlements
Defined benefit arrangements

	Accrued entitlement at 31.12.99 £000 pa	Additional pension earned during year ended 31.12.99 £000 pa	Transfer value of increase in pension (less Directors' contributions) £000	Directors' contributions paid during year ended 31.12.99 £000
Ian Dyson[1]	1	1	5	1
Mike Smith[2]	1	1	14	3
Nigel Turnbull	119	7	108	13
Douglas Yates	185	29	473	14

Salary supplements

	£000
Ian Dyson[1]	14
Mike Smith[2]	152

[1] appointed on 13 September 1999
[2] appointed on 1 April 1999

Share option schemes

Rank has operated an executive share option scheme for Directors and other senior managers since 1985. In 1997 the Committee decided that no further grants would be made to members of the Executive Committee, with the exception of new recruits, whilst they participate in a long term incentive plan (see below). The Committee however reserved the right to review this decision in light of competitive market practice and the appropriateness of Rank's long term incentive arrangements in total. As the Executive Committee did not participate in a long term incentive plan for a performance period commencing in 1999, the Committee granted further executive share options to the Executive Committee in 1999, within the limits recommended by the Association of British Insurers.

The Company's policy with regard to the level of allocation and frequency of grants of options to those employees below the Executive Committee is one of regular annual grants of smaller allocations in line with the recommendations of the Greenbury Report.

Rank has also operated Save As You Earn Option Schemes since 1985 which are now generally open to all full time employees and Directors. Inland Revenue rules limit the maximum amount which can be saved to £250 per month. Options are granted to acquire the number of shares that the total savings will buy when the savings contracts mature, in accordance with the rules of the scheme.

The Directors' interests in shares of the Company, including options to purchase Ordinary shares under the terms of the Group's Executive Share Option Schemes ("ESOS") and Share Saving Schemes ("SAYE"), are given below:

	31 December 1999					1 January 1998 (or date of appointment, if later)			
	Ordinary shares	Preference shares	ESOS	SAYE	Exercise price (p)	Ordinary shares	Preference shares	ESOS	SAYE
Ian Dyson	15,000	–	278,225	–	248.00	–	–	–	–
Sir Denys Henderson	77,972	35,000	–	–	–	52,972	10,000	–	–
Peter Jarvis	20,113	–	–	5,412	179.00	10,113	–	–	–
Hugh Jenkins	36,899	–	–	5,412	179.00	9,436	10,000	–	–
Christine Morin-Postel	–	–	–	–	–	–	–	–	–
Mike Smith	30,000	–	795,580	–	226.25	–	–	–	–
Cob Stenham	40,000	–	–	9,427	179.00	20,890	–	–	6,089
Oliver Stocken	10,000	–	–	–	–	10,000	–	–	–
John Sunderland	1,058	–	–	–	–	1,058	–	–	–
Nigel Turnbull	78,238	21,000	161,931	–	372.92	37,602	21,000	203,192	3,240
	–	–	41,261	–	426.84	–	–	–	–
	–	–	117,845	–	222.75	–	–	–	–
	–	–	–	5,412	179.00	–	–	–	–
Douglas Yates	45,187	–	209,164	–	372.92	38,795	–	209,164	5,004
	–	–	117,845	–	222.75	–	–	–	–
	–	–	–	9,427	179.00	–	–	–	–

As at 31 December 1999 Nigel Turnbull and Douglas Yates each held an option over 18,897 Ordinary shares (1998 – 18,897 Ordinary shares) granted under the Company's long term incentive plan.

Options to subscribe for Ordinary shares of the Company granted to Directors or which lapsed during the year ended 31 December 1999 are included in the table below:

	Granted		Lapsed		Exercise price
	ESOS	SAYE	ESOS	SAYE	(p)
Ian Dyson	278,225	–	–	–	248.00
Peter Jarvis	–	5,412	–	–	179.00
Hugh Jenkins	–	5,412	–	–	179.00
Mike Smith	795,580	–	–	–	226.25
Cob Stenham	–	–	–	1,009	341.47
	–	–	–	5,080	271.58
	–	9,427	–	–	179.00
Nigel Turnbull	117,845	–	–	–	222.75
	–	–	–	1,009	341.47
	–	–	–	2,231	349.46
	–	5,412	-	–	179.00
Douglas Yates	117,845	–	–	–	222.75
	–	–	–	3,030	341.47
	–	–	–	1,974	349.46
	–	9,427	–	–	179.00

None of the Directors exercised share options during the year.

Except as stated above, no option lapsed during the year. The market price of an Ordinary share at 31 December 1999 was 196p and the range during the preceding 12 months was 182p to 303p. Options outstanding at 31 December 1999 are exercisable at various dates between 10 February 1998 and 12 September 2009.

In addition to the above interests, pursuant to the provisions of the Companies Act 1985, each executive Director is deemed to be interested in the Ordinary shares of the Company held by The Rank Group Plc Employee Benefit Trust. At 1 January 1999 and 31 December 1999 the interest was in a total of 390,000 Ordinary shares and at the date of this report, in a total of 352,206 Ordinary shares.

Except as stated above, there were no changes in the interests of the current Directors between 1 January 2000 and the date of this report. The Company's Register of Directors' interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe for shares.

Long term incentive plan

A long term incentive plan was introduced with effect from January 1995 for executive Directors and certain senior managers. Each participant, including executive Directors, receives an award under the plan if the Company's growth in normalised earnings per share (defined as earnings per share before exceptional items) exceeds the increase in the UK retail prices index by at least 3% on an annual basis over a performance period of three years. The award consists of a grant of a free option over Rank Ordinary shares; the option can be exercised at the end of the two years following the three year performance period. The value of the shares will be related to a percentage of base salary; shares to the value of 10% of salary will be awarded for a 3% compound real growth up to an award of 100% of salary for a 21% compound real growth. No awards were made under the plan for the performance periods commencing 1 January 1996 and 1 January 1997.

Last year the Committee decided that this long term incentive plan should not be continued and reported that an alternative long term incentive plan was being considered with a performance criteria of total shareholder return. A proposal is being placed before shareholders at this year's Annual General Meeting for the introduction of such a plan and full details are contained in the shareholders' circular enclosed with this report.

Directors' service contracts

The Chairman and the executive Directors have service contracts with the Company, but the non-executive Directors do not. The Chairman has a service contract with a notice period of one year. The Board has determined that executive Directors should have notice periods of one year, although a longer initial notice period may be proposed. This policy was applied to the service contracts of Mike Smith and Ian Dyson who joined the Company as Directors during the year. Both have service contracts which for the initial two years are terminable by either party on two years' notice; at the end of the two years, the agreements are terminable on one year's notice. The same policy has also been applied to the service contract of Jerry Fowden, who was appointed a Director on 1 January 2000.

Any Director leaving service at the request of the Company (other than for gross misconduct) will be provided with compensation related to age, service and the circumstances relating to his departure. The duty to mitigate will also be taken into consideration when determining any severance payment.

These principles were adhered to by the Committee when determining the compensation payable to Nigel Turnbull and Douglas Yates in respect of their departure from the Company. Nigel Turnbull received a lump sum gross payment of £415,145; in addition the Company has entered into an agreement with a company owned by Nigel Turnbull for the provision of consultancy services for the first three months of 2000 for fees totalling £60,000. Douglas Yates received a lump sum gross payment of £451,270. Their pension entitlements are detailed in the table on page 27.

Nigel Turnbull and Douglas Yates were entitled to retain options granted to them under the terms of the Company's executive share option schemes. When option holders leave the Company in similar circumstances to the departure of Nigel Turnbull and Douglas Yates, the Committee normally exercises a discretion to waive the performance conditions attaching to the exercise of such options. This practice was followed in the case of Nigel Turnbull and Douglas Yates; the exercise prices of the relevant options are given in the table on page 28. In addition, they will receive cash payments if any awards are granted under the Rank Group Long Term Incentive Plan in respect of the performance period commencing on 1 January 1998, subject to the rules of the Plan.

Non-executive Directors

The remuneration of non-executive Directors is determined by the Board. In 1999 the remuneration consisted of annual fees of £25,000 and additional fees of £4,000 for chairing the Audit and Remuneration Committees. With effect from 1 January 2000 the basic annual fee has been increased to £27,500; the fee was last increased in January 1995.

The Chairman and the non-executive Directors do not participate in the annual bonus scheme, any company pension scheme, the executive share option scheme or the long term incentive plan.

On behalf of the Board

Sir Denys Henderson	**Peter Jarvis**
Chairman	**Chairman of the Remuneration Committee**

The policy of the Board is to manage the affairs of the Company in accordance with the Principles of Good Governance and Code of Best Practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the London Stock Exchange.

Application of Principles of Good Governance

Directors

The Directors believe that it is essential that the Company should be led and controlled by an effective Board. To this end, regular Board meetings are held (not less than eight meetings in a year) and the Board receives a steady flow of information to enable it to discharge its duties. There is a formal schedule of matters reserved for the Board's decision, and all Directors have access to the advice and services of the Company Secretary and to independent professional advice, if required, at the Company's expense. Training programmes, including induction into the operations of the Company, are developed for newly appointed Directors. The current composition of the Board is detailed on page 33.

The Board has established the following Committees, each with a formal constitution, to facilitate its operations:

The Audit Committee

The Audit Committee meets not less than three times a year and assists the Board in reviewing the effectiveness of internal financial control systems. The Committee also reviews financial statements to be published externally before their submission to the Board, to ensure they present a fair assessment of the Group's position and prospects. It also authorises any change in accounting policies. The Committee meets at least annually with the auditors without executive management being present.

The Finance Committee

The Finance Committee is an executive committee to which certain specific authorities have been delegated by the Board, principally in respect of capital expenditure authorisation and financing of the Group.

The Nomination Committee

The Nomination Committee proposes Board appointments, both executive and non-executive, for approval by the Board. Decisions on Board appointments are a matter for the whole Board.

The Remuneration Committee

The Remuneration Committee meets not less than twice a year and is responsible for determining the remuneration packages of the Chairman, the executive Directors, and other members of the Executive Committee. Details of the Remuneration Committee's deliberations during the year are contained in the Remuneration Report on pages 26 to 30.

The composition of each of these Committees is given on page 33. The Nomination Committee which proposed the appointment of Ian Dyson as Finance Director comprised the Chairman, Peter Jarvis and Cob Stenham, and that which proposed the appointment of Jerry Fowden comprised the Chairman, Peter Jarvis, Hugh Jenkins and John Sunderland.

The Executive Committee

The Executive Committee is not a committee of the Board. Its role is to assist the Chief Executive in fulfilling his responsibilities for directing and promoting the profitable operation and development of the Group, consistent with the primary objective of creating long term shareholder value. It currently consists of the Chief Executive, Finance Director, Company Secretary and certain Managing Directors of operating businesses.

Directors' remuneration

Details of Directors' remuneration, and the process for its determination, are contained in the Remuneration Report.

Relations with shareholders

The Company maintains regular dialogue with its institutional shareholders and city analysts with a variety of presentations and visits being made throughout the year, and regular meetings are held with principal shareholders. All shareholders are welcome to attend the Annual General Meeting and private investors are encouraged to take advantage of the opportunity given to ask wide ranging questions.

Accountability and audit

The means by which the Board applies the principles of accountability and audit are set out overleaf.

Compliance with Code provisions

The Company has throughout the year complied with the Code provisions set out in Section 1 of the Combined Code save as follows:

Code provision A.2.1

The Board has carefully considered the proposal that a senior independent director should be identified in the annual report and concluded that this would be inappropriate given that the Chairman of the Company and the chairmen of the Audit and Remuneration Committees are already identified.

Code provision A.6.2

Compliance with this provision, which requires all Directors to submit themselves for re-election at intervals of not more than three years, was effected at last year's Annual General Meeting when approval was given to the appropriate amendment to the Company's Articles of Association.

Internal control

The Board has established procedures necessary to implement the requirements of the Combined Code relating to internal control as reflected in the September 1999 guidance "Internal Control: Guidance for Directors on the Combined Code". In respect of the application of principle D.2.1. of the Combined Code, the Board has adopted the transitional approach to disclosure set out in the letter from the London Stock Exchange dated 27 September 1999. It has therefore reported below on internal financial control in accordance with the guidance for directors on internal control and financial reporting issued in December 1994.

The Directors acknowledge that they are responsible for the Group's system of internal financial control, which is designed to provide reasonable but not absolute assurance against material misstatement or loss.

Considerable importance is placed on maintaining a strong control environment. In particular, there is a simple organisational structure with clearly drawn lines of accountability and delegation of authority; adherence to specified codes of conduct is required at all times; and the Board actively promotes a culture of quality and integrity. Risks are identified and appraised both formally, through the annual process of preparing business plans and budgets, and informally through close monitoring of operations. Financial results and various key business statistics are reported regularly throughout the year and variances from approved plans and budgets are monitored and investigated. Detailed control procedures exist throughout the Group's operations and compliance is monitored by management, the Group's internal auditors and, to the extent they consider necessary to support their audit report, the external auditors.

On behalf of the Board, the Audit Committee has reviewed the effectiveness of the system of internal financial controls during the year ended 31 December 1999. This has included consideration of a formal Group-wide risk assessment by the Executive Committee, the results of a controls self-certification exercise throughout the Group, and reports from the Group's internal and external auditors.

Going concern

After reviewing the Group's budget for 2000 and its medium term plans, the Directors are confident that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing the accounts.

Board of Directors

The Board

Sir Denys Henderson Chairman
A Director since 1994. Aged 67.
First Commissioner and Chairman of The Crown Estate and a non-executive Director of Market and Opinion Research International Limited and Schlumberger Limited. Formerly Chairman of ICI PLC and Zeneca Group PLC.

Mike Smith
Appointed Chief Executive on 1 April 1999. Aged 53. Formerly a Director of Hilton Group PLC. Director of The Motor Industry Research Association.

Ian Dyson
Appointed Finance Director on 13 September 1999. Aged 37. Formerly Group Financial Controller of Hilton Group PLC and previously a partner of Arthur Andersen.

Jerry Fowden
Appointed a Director on 1 January 2000. Aged 43.
Joined Rank as Managing Director of Holidays in May 1997. Formerly Executive Director and CEO of the beverage division of Hero AG, Switzerland, and prior to this Chief Operating Officer of Bass Brewers.

Peter Jarvis, CBE
A non-executive Director since 1995. Aged 58.
Chairman of Debenhams PLC and a non-executive Director of Barclays Bank PLC. Formerly Chief Executive of Whitbread PLC.

Hugh Jenkins, CBE
A non-executive Director since 1995. Aged 66.
Chairman of Development Securities PLC and a non-executive Director of EMI Group plc, Johnson Matthey PLC and Gartmore European Investment Trust. Formerly Chairman and Chief Executive of Prudential Portfolio Managers Limited.

Christine Morin-Postel
A non-executive Director since 1996. Aged 53.
Chief Executive Officer of Société Générale de Belgique and a Director of Fortis AB, Tractebel and Union Minière. Chairman of Trigen US.

Cob Stenham
A non-executive Director since 1987. Aged 68.
Chairman of Telewest Communications plc, an advisory Director of Hawk-Point Partners Limited and a non-executive Director of Standard Chartered PLC, Jarrold & Sons Limited and Altnamara Shipping Plc.

Oliver Stocken
A non-executive Director since 1 October 1998. Aged 58.
Chairman of Lupus Capital plc and of Rutland Trust PLC and a non-executive Director of 3i Group plc, Bunzl plc, M.E.P.C. plc and Pilkington plc. Formerly Finance Director of Barclays Bank PLC.

John Sunderland
A non-executive Director since 1 January 1998. Aged 54.
Group Chief Executive of Cadbury Schweppes plc.

Executive Committee

Mike Smith
Ian Dyson
Jerry Fowden

Pete Beaudrault
Appointed President and Chief Operating Officer of Hard Rock in January 1999 and to the Executive Committee in February 2000. Aged 45. Based in Orlando, Florida.

David Boden
Appointed Managing Director of Gaming in January 1998 and to the Executive Committee in January 1999. Aged 43. Formerly Managing Director of Grosvenor Casinos. Director of The National Bingo Game Association Limited.

Phil Clement
Appointed Managing Director of Deluxe in March 1996. Aged 55. Formerly President and CEO of Deluxe Video Services and Deluxe Laboratories worldwide. Based in Los Angeles, California.

Charles Cormick
Joined Rank as Company Secretary in 1995. Aged 48.
A solicitor, and formerly Company Secretary of Lex Service PLC.

Audit Committee

Cob Stenham Chairman
Hugh Jenkins
Christine Morin-Postel
Oliver Stocken (Chairman from 27 April 2000)

Nomination Committee

Sir Denys Henderson Chairman
plus at least two non-executive Directors

Remuneration Committee

Peter Jarvis Chairman
Hugh Jenkins
John Sunderland

New Board members

Ian Dyson

Jerry Fowden

Directors' Responsibilities in relation to the Accounts

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

In preparing the accounts the Directors are required to select appropriate accounting policies and apply them consistently, to make reasonable and prudent judgments and estimates, and to state that all accounting standards which they consider to be applicable have been followed, save as disclosed in the notes to the accounts. The Directors are also required to prepare the accounts on the going concern basis unless it is inappropriate to do so.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors also have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditors to the Members of The Rank Group Plc

We have audited the accounts on pages 36 to 64 which have been prepared under the historical cost convention and the accounting policies set out on pages 40 to 41, and the information set out in the tables on pages 27 to 29 within the Remuneration Report.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. As described opposite, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute in the United Kingdom, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

We review whether the statement on pages 31 and 32 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London

24 February 2000

Group Profit and Loss Account for the year ended 31 December 1999

	Note	1999 Before exceptional items £m	1999 Exceptional items £m	1999 Total £m	1998 (restated) Before exceptional items £m	1998 (restated) Exceptional items £m	1998 (restated) Total £m
Turnover							
Continuing operations		**1,799**	**–**	**1,799**	1,818	–	1,818
Acquisitions		**9**	**–**	**9**	–	–	–
	1,2	**1,808**	**–**	**1,808**	1,818	–	1,818
Discontinued operations	1,2	**233**	**–**	**233**	239	–	239
	1,2	**2,041**	**–**	**2,041**	2,057	–	2,057
Operating profit							
Continuing operations		**265**	**(98)**	**167**	241	(94)	147
Acquisitions		**2**	**–**	**2**	–	–	–
	1,2	**267**	**(98)**	**169**	241	(94)	147
Discontinued operations	1,2	**40**	**–**	**40**	33	(5)	28
Group operating profit	1,2	**307**	**(98)**	**209**	274	(99)	175
Share of operating profit in joint ventures and associates							
Joint ventures	12	**6**	**–**	**6**	4	–	4
Associated undertakings	13	**22**	**(46)**	**(24)**	27	(24)	3
		335	**(144)**	**191**	305	(123)	182
Non-operating items							
Loss on disposal of continuing operations' properties	3	**–**	**–**	**–**	–	(54)	(54)
Loss on disposal of continuing operations	3	**–**	**(1)**	**(1)**	–	(153)	(153)
Profit on disposal of discontinued operations	3	**–**	**33**	**33**	–	–	–
Profit (loss) before interest		**335**	**(112)**	**223**	305	(330)	(25)
Net interest payable and other similar charges							
Group	4	**(79)**	**(8)**	**(87)**	(50)	–	(50)
Joint ventures	12	**(4)**	**–**	**(4)**	(3)	–	(3)
Associated undertakings	13	**(24)**	**–**	**(24)**	(5)	–	(5)
		(107)	**(8)**	**(115)**	(58)	–	(58)
Profit (loss) on ordinary activities before tax		**228**	**(120)**	**108**	247	(330)	(83)
Tax on profit (loss) on ordinary activities	5	**(51)**	**13**	**(38)**	(55)	–	(55)
Profit (loss) on ordinary activities after tax		**177**	**(107)**	**70**	192	(330)	(138)
Minority interests (including non-equity interests)	24	**(2)**	**–**	**(2)**	(3)	–	(3)
Profit (loss) for the financial year		**175**	**(107)**	**68**	189	(330)	(141)
Dividends and other appropriations							
Preference	7	**(21)**	**–**	**(21)**	(21)	–	(21)
Ordinary	7	**(93)**	**–**	**(93)**	(142)	–	(142)
Transfer to (from) reserves	23	**61**	**(107)**	**(46)**	26	(330)	(304)
Earnings (loss) per Ordinary share	8	**19.9p**	**(13.8)p**	**6.1p**	22.0p	(43.2)p	(21.2)p
Diluted earnings (loss) per Ordinary share	8	**20.9p**	**(12.8)p**	**8.1p**	22.9p	(39.9)p	(17.0)p

There is no difference between the result as disclosed in the profit and loss account and that on an unmodified historical cost basis.

Balance Sheets at 31 December 1999

	Note	Group 1999 £m	Group 1998 (restated) £m	Company 1999 £m	Company 1998 £m
Fixed assets					
Intangible assets	9	**4**	3	**–**	–
Tangible assets	10	**1,938**	1,872	**–**	–
Investments					
Subsidiary undertakings	11	**–**	–	**2,379**	2,379
Joint ventures					
Share of gross assets		**75**	75	**–**	–
Share of gross liabilities		**(61)**	(61)	**–**	–
	12	**14**	14	**–**	–
Associated undertakings	13	**355**	319	**–**	–
Other	14	**21**	15	**1**	1
		2,332	2,223	**2,380**	2,380
Current assets					
Stocks	15	**88**	69	**–**	–
Debtors (amounts falling due within one year)	16	**371**	546	**131**	310
Debtors (amounts falling due after more than one year)	16	**152**	99	**–**	–
Investments	17	**13**	16	**–**	–
Cash and deposits	17	**94**	79	**–**	–
		718	809	**131**	310
Creditors (amounts falling due within one year)					
Loan capital and borrowings	18	**(127)**	(88)	**–**	–
Other	20	**(459)**	(542)	**(77)**	(151)
		(586)	(630)	**(77)**	(151)
Net current assets		**132**	179	**54**	159
Total assets less current liabilities		**2,464**	2,402	**2,434**	2,539
Creditors (amounts falling due after more than one year)					
Loan capital and borrowings	18	**(1,142)**	(1,064)	**–**	–
Other	20	**(38)**	(44)	**–**	–
		(1,180)	(1,108)	**–**	–
Provisions for liabilities and charges	21	**(86)**	(53)	**–**	–
		1,198	1,241	**2,434**	2,539
Capital and reserves					
Called up share capital	23	**123**	123	**123**	123
Share premium account	23	**8**	8	**8**	8
Capital redemption reserve	23	**7**	7	**7**	7
Other reserves	23	**1,046**	1,091	**2,296**	2,401
Shareholders' funds		**1,184**	1,229	**2,434**	2,539
Equity interests		**964**	1,011	**2,214**	2,321
Non-equity interests		**220**	218	**220**	218
Minority interests (including non-equity interests)	24	**14**	12	**–**	–
		1,198	1,241	**2,434**	2,539

These accounts were approved by the Board on 24 February 2000 and signed on its behalf by:
Sir Denys Henderson, Chairman
Ian Dyson, Finance Director

Group Cash Flow Statement for the year ended 31 December 1999

	Note	**1999 £m**	1998 £m
Net cash inflow from operating activities	25	**315**	360
Distributions from joint ventures and associated undertakings		**16**	24
Returns on investment and servicing of finance			
Interest received		**9**	7
Interest paid		**(108)**	(89)
Dividends paid to preference shareholders		**(19)**	(18)
Dividends paid to minority shareholders in subsidiary undertakings		**–**	(2)
		(118)	(102)
Taxation paid (net)		**(51)**	(55)
Capital expenditure			
Purchase of tangible fixed assets		**(385)**	(440)
Purchase of investments		**(3)**	(4)
Investment in joint ventures and associated undertakings		**(82)**	(127)
Sale of fixed assets and assets held for disposal		**31**	178
		(439)	(393)
Acquisitions and disposals			
Purchase of subsidiaries	26	**(11)**	(46)
Sale of businesses and investments	27	**376**	237
		365	191
Ordinary dividends paid		**(162)**	(50)
Cash outflow before use of liquid resources and financing		**(74)**	(25)
Management of liquid resources	28	**3**	–
Financing			
Issue of Ordinary share capital		**–**	3
Repurchase of minority preference shares		**–**	(25)
Contribution from minorities		**–**	9
Changes in debt and lease financing			
Debt due within one year:			
repayment of US dollar private placements		**(52)**	(60)
(repayment) drawdown of other short term loans and borrowings		**(25)**	18
Debt due after more than one year:			
net drawdown (repayment) on sterling syndicated facilities		**213**	(70)
net drawdown (repayment) on US dollar syndicated facilities		**29**	(91)
repayment of US dollar private placements		**(96)**	–
new US dollar bonds		**–**	123
new 7¼% euro sterling bond		**–**	126
net movements on other long term facilities		**19**	(14)
Capital element of finance lease rental payments		**(10)**	(8)
Increase in debt and lease financing	28, 29	**78**	24
Increase (decrease) in cash	28, 29	**7**	(14)

Group Recognised Gains and Losses for the year ended 31 December 1999

	1999 £m	1998 £m
Profit (loss) for the financial year	**68**	(141)
Currency translation differences on foreign currency net investments	**(7)**	4
Total recognised gains and losses for the year	**61**	(137)
Prior year adjustments		
Implementation of FRS 12	**(36)**	
Write-off of Universal Studios Escape pre-opening costs	**(37)**	
Write-off of managed business pre-opening costs	**(26)**	
Tax impact of the above	**12**	
	(87)	
Total recognised gains and losses since previous annual report	**(26)**	

Movements in Shareholders' Funds for the year ended 31 December 1999

	1999 £m	1998 £m
Profit (loss) for the financial year	**68**	(141)
Dividends payable excluding provision for redemption premium	**(112)**	(161)
Retained loss for the year	**(44)**	(302)
Other recognised gains and losses (net)	**(7)**	4
Ordinary shares issued in lieu of dividends	**–**	56
Other issue of Ordinary share capital	**–**	3
Goodwill realised upon disposal	**6**	5
Net movement in shareholders' funds	**(45)**	(234)
Shareholders' funds at 1 January as previously stated	**1,316**	1,518
Prior year adjustments		
Implementation of FRS 12	**(36)**	(26)
Write-off of Universal Studios Escape pre-opening costs	**(37)**	(13)
Write-off of managed business pre-opening costs	**(26)**	(28)
Tax impact of the above	**12**	12
Shareholders' funds at 1 January as restated	**1,229**	1,463
Shareholders' funds at 31 December	**1,184**	1,229

Accounting Policies

1 Basis of preparation

The accounts are prepared under the historical cost convention, and comply with applicable accounting standards on a basis consistent with the previous year except for the changes detailed below. The Group's profit and loss account and balance sheet include the accounts of the Company and its subsidiary undertakings, and the Group's share of profits or losses and reserves of its joint ventures and associated undertakings. The profits or losses of subsidiary undertakings acquired or sold during the period are included as from or up to the dates on which control passed. All business combinations are accounted for using the acquisition accounting method.

Changes in accounting policy

There have been two changes in accounting policy in the year, both of which have led to the restatement of prior period results.

The Group has adopted Financial Reporting Standard 12 ("Provisions, contingent liabilities and contingent assets"). This has led to the restatement of prior period results in respect of two aspects of the standard:

- clarification of the date on which a commitment is to be recognised for accounting purposes; and
- the requirement for a provision to be made for onerous contracts such as rentals on vacant leasehold properties.

The restatement of shareholders' funds at 31 December 1998 was mainly in respect of vacant leasehold properties. The future cash flows in respect of such properties have been discounted at a pre-tax rate of 5%.

The second change in policy relates to the treatment of pre-opening expenses. The Group's previous policy was to amortise such expenses over periods of three to five years. A new US accounting standard came into effect during the year requiring the immediate write-off of such expenses which directly impacts the results of Universal Studios Escape ("USE"). In order to maintain comparability between USE figures available in the United States and those included in the Group's results, the Board decided to align the Group's own policy, both for USE and its managed businesses, with the new US requirements. Due to their size and nature, the pre-opening expenses of USE have been shown as exceptional items charged in arriving at the Group's share of operating profit from associated undertakings.

The impact on 1999 operating profit before exceptional items of the implementation of FRS 12 and the change in the policy on pre-opening expenses was not material. More detail on the effect of the implementation of FRS 12 is given in note 21. The change in the policy on pre-opening expenses reduced the Group's share of USE's profit before tax by £36m.

2 Foreign currency

Revenues, costs and cash flows of overseas undertakings are included in the Group profit and loss account at average rates of exchange. Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date except where a forward exchange contract has been arranged when the contracted rate is used. Exchange differences on the retranslation of opening net assets and results for the period of foreign subsidiary undertakings are dealt with through reserves net of differences on related foreign currency borrowings. Other gains and losses arising from foreign currency transactions, including trading, are included in the consolidated profit and loss account.

The principal exchange rates affecting the Group were:	**1999**		1998	
	Year end	**Average**	Year end	Average
United States dollar	**1.61**	**1.62**	1.66	1.66
Canadian dollar	**2.34**	**2.40**	2.56	2.47
German mark	**–**	**–**	2.77	2.91
Spanish peseta	**–**	**–**	236	248
Euro	**1.61**	**1.53**	1.42	–

3 Income recognition

Turnover consists of sales of goods and services and is generally recognised as goods are shipped or services are rendered. Turnover for casinos includes the gaming win before deduction of gaming duty.

4 Deferred expenditure

Deferred expenditure comprises (a) advance payments on supply contracts and (b) other amounts deferred including rights acquired. The expenditure is included in prepayments and is written off over periods of three to eight years, the period over which the related benefits are expected to arise.

5 Goodwill

Goodwill arising on acquisitions made before 31 December 1997 has been written off directly to reserves. Following the introduction of FRS 10, goodwill arising on acquisitions subsequent to 31 December 1997 has been capitalised and is being amortised on a straight line basis over its useful economic life.

6 Stocks

Stocks include work in progress and are valued at the lower of cost (including an appropriate proportion of overhead) and net realisable value.

7 Tangible fixed assets

No depreciation is provided on freehold land or on certain properties, which are freehold or held on lease for a term exceeding 20 years unexpired, where the Directors are of the opinion that the properties concerned are currently sufficiently well maintained to ensure that the residual values of such properties are such that the depreciation would be insignificant.

Other freehold properties are depreciated on a straight line basis over 100 years or their useful life, if less. Other leased properties are depreciated over the lesser of 100 years, their useful life or the term of the lease. Expenditure on major refurbishment of properties is amortised over periods of between three and 15 years. Other fixed assets are depreciated mainly at rates between 5% and 33% per annum on a straight line basis.

Interest costs that are directly attributable to the construction of a tangible fixed asset are capitalised as part of the cost of the asset concerned. Pre-opening costs are expensed as incurred.

8 Leased assets

Assets acquired under finance leases are included in tangible fixed assets. Depreciation is provided at rates designed to write off the cost in equal annual amounts over the shorter of the estimated useful lives of the assets (which are the same as those for assets purchased outright) and the period of the leases. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the leases in proportion to the balances outstanding. Operating lease payments are charged to the profit and loss account as incurred.

9 Pensions

The pension costs relating to the UK defined benefit scheme are assessed in accordance with the advice of a qualified actuary using the projected unit method. Actuarial surpluses and deficiencies are amortised on a straight line basis over the expected average remaining service lives of the employees. The pension costs relating to the UK defined contribution scheme represent the contributions payable by the Group. Overseas schemes are accounted for in accordance with local conditions and practice such that the costs are charged against profits on a systematic basis over the service lives of the employees.

10 Taxation

Current taxation is applied to taxable profits at the rates ruling in the relevant country. Deferred taxation is provided in respect of timing differences to the extent that it is probable that a liability will arise in the foreseeable future. Prior to its abolition, Advance Corporation Tax on dividends paid was set off against United Kingdom current liabilities and deferred tax provisions to the extent that it was considered recoverable.

11 Financial instruments

Derivative instruments that may be utilised by the Group are forward interest rate swaps and caps, cross currency swaps, forward starting swaps, forward rate agreements, interest rate swap options, forward foreign exchange contracts and currency options.

Derivative instruments that are currently utilised by the Group are forward starting interest rate swaps and forward foreign exchange contracts. These instruments are used to manage interest rate and foreign exchange risk.

The Group's forward starting swaps have all been closed. Any payments received or paid as a result of entering into these transactions have been included in the finance costs of the instrument to which they relate and are being amortised over the life of the associated instrument.

The forward foreign exchange contracts are used to hedge future transaction flows. The resulting gains and losses are recognised as they arise and offset against gains and losses in the related underlying exposure.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are determinable monetary amounts, and the Group intends to settle on a net basis, the relevant financial assets and liabilities are offset.

1 Segmental information

	Turnover		Profit before exceptional items		Profit (loss) after exceptional items		Capital employed (c)	
	1999 £m	1998 £m	**1999 £m**	1998 £m	**1999 £m**	1998 £m	**1999 £m**	1998 £m
Analysis by division (a)								
Deluxe	**636**	638	**84**	85	**75**	85	**608**	489
Gaming	**406**	402	**69**	58	**67**	58	**582**	600
Hard Rock	**240**	239	**42**	47	**(15)**	40	**702**	705
Holidays								
UK Holidays	**420**	437	**63**	60	**51**	(15)	**853**	732
US Holidays	**47**	55	**9**	1	**7**	1	**76**	82
	467	492	**72**	61	**58**	(14)	**929**	814
Tom Cobleigh	**59**	47	**8**	7	**7**	(5)	**192**	184
Central costs and other	**–**	–	**(8)**	(17)	**(23)**	(17)	**–**	–
Continuing operations	**1,808**	1,818	**267**	241	**169**	147	**3,013**	2,792
Discontinued operations (b)	**233**	239	**40**	33	**40**	28	**141**	218
	2,041	2,057	**307**	274	**209**	175	**3,154**	3,010
Share of investments (d)								
Universal Studios Escape			**(2)**	22	**(46)**	(2)	**348**	320
Other			**2**	1	**–**	1	**58**	43
			–	23	**(46)**	(1)	**406**	363
Total capital employed							**3,560**	3,373
Non-operating items (net)					**32**	(207)		
Group interest payable and other similar charges			**(79)**	(50)	**(87)**	(50)		
Profit (loss) on ordinary activities before tax			**228**	247	**108**	(83)		

(a) Inter-segmental turnover is not material.
(b) Discontinued operations comprise Odeon, Pinewood Studios and Nightscene.
(c) Capital employed comprises net operating assets plus purchased goodwill.
(d) Share of investments' profit is defined as share of profit before tax. Share of investments' capital employed is the carrying value in the Group's balance sheet plus purchased goodwill. Investments comprise joint ventures, associates and other investments.

1 Segmental information continued

	Depreciation 1999 £m	Depreciation 1998 £m	Investment expenditure 1999 £m	Investment expenditure 1998 £m	Net cash flow before financing 1999 £m	Net cash flow before financing 1998 £m	Net assets 1999 £m	Net assets 1998 £m
Analysis by division								
Deluxe	**34**	29	**45**	49	**(38)**	67	**392**	281
Gaming	**43**	45	**45**	90	**80**	65	**425**	440
Hard Rock	**12**	9	**32**	50	**5**	(10)	**142**	154
Holidays								
UK Holidays	**31**	29	**187**	196	**(90)**	(109)	**816**	694
US Holidays	**1**	3	**15**	2	**15**	12	**49**	56
	32	32	**202**	198	**(75)**	(97)	**865**	750
Tom Cobleigh	**2**	3	**12**	25	**(1)**	(15)	**135**	128
Central costs and other	**–**	1	**–**	2	**(14)**	(7)	**–**	–
Continuing operations	**123**	119	**336**	414	**(43)**	3	**1,959**	1,753
Discontinued operations	**16**	17	**71**	82	**139**	57	**141**	212
	139	136	**407**	496	**96**	60	**2,100**	1,965
Investments								
Universal Studios Escape			**83**	104	**(56)**	(80)	**332**	305
Rank Xerox			**–**	–	**219**	219	**–**	–
Other			**3**	27	**(14)**	(27)	**58**	43
			86	131	**149**	112	**390**	348
			493	627	**245**	172	**2,490**	2,313
Interest paid (net)					**(99)**	(82)		
Tax and dividends					**(232)**	(125)	**(84)**	(165)
Other non-operating assets (net)							**(50)**	147
Acquired debt and other non-cash items			**(12)**	(10)	**12**	10		
Goodwill							**4**	3
Net debt							**(1,162)**	(1,057)
			481	617	**(74)**	(25)	**1,198**	1,241

	Turnover by origin 1999 £m	Turnover by origin 1998 £m	Operating profit by origin – Before exceptional items 1999 £m	Operating profit by origin – Before exceptional items 1998 £m	Operating profit by origin – After exceptional items 1999 £m	Operating profit by origin – After exceptional items 1998 £m	Net assets 1999 £m	Net assets 1998 £m
Geographical analysis								
United Kingdom	**946**	935	**141**	122	**111**	28	**1,393**	1,284
North America	**736**	749	**104**	95	**42**	95	**463**	373
Rest of the World	**126**	134	**22**	24	**16**	24	**103**	96
Continuing operations	**1,808**	1,818	**267**	241	**169**	147	**1,959**	1,753

Turnover by destination is not materially different from turnover by origin.

2 Turnover and operating profit

	1999			1998		
	Continuing operations £m	**Discontinued operations £m**	**Total £m**	Continuing operations £m	Discontinued operations £m	Total £m
Turnover	**1,808**	**233**	**2,041**	1,818	239	2,057
Cost of sales	**(1,338)**	**(178)**	**(1,516)**	(1,406)	(192)	(1,598)
Gross profit	**470**	**55**	**525**	412	47	459
Distribution costs	**(100)**	**(6)**	**(106)**	(91)	(8)	(99)
Administrative expenses	**(213)**	**(10)**	**(223)**	(182)	(12)	(194)
Other operating income	**12**	**1**	**13**	8	1	9
Operating profit	**169**	**40**	**209**	147	28	175
Exceptional items included above are:						
In cost of sales	**(51)**	**–**	**(51)**	(94)	(5)	(99)
In distribution costs	**(2)**	**–**	**(2)**	–	–	–
In administrative costs	**(45)**	**–**	**(45)**	–	–	–

The total figures for continuing operations in 1999 include the following amounts relating to acquisitions: cost of sales £6m and administrative expenses £1m.

	1999 £m	1998 £m
Operating profit is stated after charging the following items:		
In normal trading		
Depreciation of tangible fixed assets	**139**	136
Operating lease payments – land and buildings	**58**	56
Operating lease payments – plant and machinery	**4**	3
In exceptional items		
Restructuring charges	**52**	–
Impairment of fixed assets	**20**	92
Hard Rock charges	**26**	7

As announced at the time of the interim results, Rank has embarked on a reorganisation and an overhead reduction programme which is eliminating jobs, consolidating offices and achieving significant cost savings. The total charge included in respect of restructuring in 1999 comprises £24m for staff redundancy costs, £14m relating to vacant properties, £7m of abortive transaction costs, £5m for asset write downs and £2m of other charges.

The 1999 impairment charge related to Hard Rock and consists of £7m against the owned National Basketball Association ("NBA") City Cafe in Orlando and £13m against the carrying value of a number of under-performing Hard Rock Cafes. A pre-tax discount rate of 16% was applied in the value in use calculations.

The exceptional charges relating to Hard Rock in 1999 comprise a further £16m relating to the termination of the NBA agreement and £10m of other write-offs against various joint ventures and other commercial arrangements. The NBA charge is made up of a compensation payment of £7m and other costs of £9m associated with the termination of this business venture, including provisions of £5m for future obligations. The 1998 charge was in respect of the write-off of pre-opening costs.

The total audit fee (including expenses) for the year was £1.2m (1998 £1.2m). The fee in respect of the Company was £50,000 (1998 £50,000). Fees for non-audit work paid by the Company and its UK subsidiaries to PricewaterhouseCoopers were £1.5m (1998 £3.3m) and for non-audit work for overseas subsidiaries were £1.1m (1998 £2.7m).

3 Non-operating items

	1999 £m	1998 £m
Profit on disposal of continuing operations' properties	–	9
Loss (including provision for loss) on disposal of continuing operations' properties	–	(63)
	–	(54)
Profit on disposal of continuing operations	7	5
Loss (including provision for loss) on disposal of continuing operations (after deducting goodwill previously written off of £Nil (1998 £5m))	(8)	(158)
	(1)	(153)
Profit on disposal of discontinued operations (after deducting goodwill previously written off of £6m (1998 £Nil))	33	–
Non-operating items before tax	32	(207)

The tax charge attributable to non-operating items is £Nil (1998 £Nil).
The profit on disposal of discontinued operations arises from the sale of Nightscene.

4 Net interest payable and other similar charges

	1999 £m	1998 £m
Interest payable on bank loans and overdrafts	34	25
Interest payable on other loans	68	65
Finance charges on finance leases	1	1
Interest capitalised in period	(11)	(17)
Amortisation of interest capitalised (note 13)	2	1
Release of discount on provisions	2	2
Interest payable and other similar charges	96	77
Interest receivable from deposits and current asset investments	(9)	(4)
Release of discount on deferred disposal proceeds	(8)	(23)
Net interest payable and other similar charges	79	50
Exceptional loss on prepayment of private placement debt	8	–
	87	50

5 Taxation on profit on ordinary activities

	1999			1998		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
United Kingdom corporation tax						
Current	39	(7)	32	59	–	59
Advance Corporation Tax recovered	–	–	–	(15)	–	(15)
	39	(7)	32	44	–	44
Overseas tax						
Current	12	(6)	6	8	–	8
	51	(13)	38	52	–	52
Taxation on share of profits of associated undertakings	–	–	–	3	–	3
	51	(13)	38	55	–	55

United Kingdom corporation tax on the profits of the Company and its UK subsidiaries for the year has been provided at 30.25% (1998 31%).

6 Profit attributable to the parent company

The profit for the financial year in the accounts of The Rank Group Plc was £7m (1998 £43m). As allowed by S. 230 Companies Act 1985, no profit and loss account is presented in respect of The Rank Group Plc.

7 Dividends

	1999 £m	1998 £m
Convertible Redeemable Preference shares		
Dividends payable for the period	**19**	19
Provision for redemption premium	**2**	2
	21	21
Ordinary shares		
Interim declared of 4.0p per share (1998 5.75p)	**31**	43
Final proposed of 8.0p per share (1998 12.75p)	**62**	99
	93	142

8 Earnings per Ordinary share

Basic earnings per share is calculated by dividing the earnings attributable to Ordinary shareholders by the weighted average number of Ordinary shares in issue during the year, excluding those held in the employee benefit trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary shares. The Group has two categories of dilutive potential Ordinary shares – those share options granted to employees where the exercise price is less than the average price of the Company's Ordinary shares during the year and the Company's Convertible Redeemable Preference shares. Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	1999			1998		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Basic earnings (£m)	**154**	**(107)**	**47**	168	(330)	(162)
Effect of dilutions (£m)	**21**	**–**	**21**	21	–	21
Diluted earnings (£m)	**175**	**(107)**	**68**	189	(330)	(141)
Weighted average number of Ordinary shares (m)			**773.2**			765.0
Effect of dilutions (m)			**62.9**			62.0
Adjusted weighted average number of Ordinary shares (m)			**836.1**			827.0
Earnings per share	**19.9p**	**(13.8)p**	**6.1p**	22.0p	(43.2)p	(21.2)p
Diluted earnings per share	**20.9p**	**(12.8)p**	**8.1p**	22.9p	(39.9)p	(17.0)p

Earnings per share before exceptional items has been calculated to show the impact of exceptional items as these can have a distorting effect on earnings and therefore warrant separate consideration.

9 Intangible fixed assets

	Cost £m	Amorti-sation £m	Net book amount £m
Balances at 31 December 1998	3	–	3
New businesses acquired	1	–	1
Balances at 31 December 1999	**4**	**–**	**4**

Intangible fixed assets consist of goodwill arising on acquisitions since 1 January 1998. It is being amortised over 20 years and the charge for the year was £0.2m (1998 £0.1m). The new businesses acquired were three French caravan parks, the Electric Switch DVD business and three small video duplication plants in Holland, Italy and Sweden.

10 Tangible fixed assets

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Payments on account and assets in course of construction £m	Total £m
Group				
Cost at 31 December 1998	1,534	1,288	92	2,914
Currency translation adjustment	1	2	1	4
New businesses acquired	14	5	–	19
Additions	129	206	44	379
Disposals	(155)	(176)	(4)	(335)
Transfers including to current assets	59	37	(109)	(13)
Cost at 31 December 1999	1,582	1,362	24	2,968
Depreciation at 31 December 1998	325	717	–	1,042
Currency translation adjustment	–	1	–	1
New businesses acquired	2	1	–	3
Disposals	(50)	(118)	–	(168)
Depreciation for the year	16	123	–	139
Provision for impairment	15	5	–	20
Transfers including to current assets	(1)	(6)	–	(7)
Depreciation at 31 December 1999	307	723	–	1,030
Net book amount at 31 December 1999	**1,275**	**639**	**24**	**1,938**
Net book amount at 31 December 1998	1,209	571	92	1,872

(a) Land and buildings with a net book amount of £937m (1998 £864m) are not depreciated. The net book amount of tangible assets for the Group includes £19m (1998 £18m) interest capitalised.

(b) The book amounts for fixtures, fittings, plant and machinery include the following amounts in respect of assets held under finance leases: cost £36m (1998 £33m), depreciation £7m (1998 £6m), net book amount £29m (1998 £27m). The depreciation charge in respect of these assets was £4m (1998 £4m).

	1999 £m	1998 £m
The net book amount of land and buildings comprises		
Freeholds	**837**	800
Long leases (over 50 years unexpired)	**322**	333
Short leases	**116**	76
	1,275	1,209

11 Investments in subsidiary undertakings

	Company		
	Shares at cost £m	Provisions £m	Net book amount £m
Balances at 31 December 1999 and 31 December 1998	2,779	(400)	2,379

Details of principal subsidiary undertakings are given on page 63.

12 Interests in joint ventures (unlisted)

	Participating interests at cost £m
Balances at 31 December 1998	14
Additions	2
Capital distributions	(2)
Balances at 31 December 1999	**14**

The joint venture is BL Rank Properties Limited ("BLRP") and its subsidiaries. The Group owns 100% of the "A" shares which constitute 50% of the voting share capital with the balance held by The British Land Company PLC. The principal activity of the BLRP group is property investment.

	BLRP	
	1999 £m	1998 £m
Share of retained profit for the period		
Share of profits less losses before taxation	**2**	1
Dividends and distributions receivable by the Group	**(2)**	(1)
Amounts retained attributable to the Group	**–**	–

13 Interests in associated undertakings (unlisted)

	Group £m
Balances at 31 December 1998 as previously stated	356
Prior year adjustment	(37)
Balances at 31 December 1998	319
Currency translation adjustment	10
Additions	90
Capital distributions	(14)
Retained loss before tax	(48)
Amortisation of interest capitalised	(2)
Balances at 31 December 1999	**355**

Included in interests in associates is £354m (1998 £318m) in respect of the Group's 50% interests in the Universal City Florida, Universal City Development and Universal Rank Hotel partnerships. These amounts include £47m (1998 £39m) net interest capitalised.

	1999 £m	1998 £m
Share of retained profit for the period		
Share of operating profit	**22**	27
Share of net interest payable	**(24)**	(5)
Exceptional write-off of pre-opening expenses	**(46)**	(24)
Retained loss before tax	**(48)**	(2)

Details of the Group's investment in the Universal partnerships are set out on page 64.

14 Other investments

	Group		Company	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Balances at 1 January	**15**	11	**1**	2
Exchange adjustment	**3**	1	**–**	–
Additions	**3**	4	**–**	–
Provision for impairment	**–**	(1)	**–**	(1)
Balances at 31 December	**21**	15	**1**	1

Other investments comprises £20m (1998 £14m) in relation to the Group's investment in Universal Studios Japan and £1m (1998 £1m) in respect of 390,000 (1998 390,000) Ordinary shares in The Rank Group Plc held at cost by The Rank Group Employee Benefit Trust. Dividends on the shares held have been waived by the trustees with the exception of one penny in total. The Trust may make such investments in the shares of the Company or otherwise as the trustee or trustees may determine to provide benefits to any eligible employee. The benefits may be provided in the form of shares, cash or otherwise although any share related benefit will be provided in accordance with an appropriate employee share scheme or bonus scheme of the Company. None of the shares have been conditionally gifted to them, but 65,611 shares were held at 31 December 1999 subject to options granted to Directors and executives.

15 Stocks

	Group	
	1999 £m	1998 £m
Raw materials and consumables	**20**	21
Work in progress	**5**	9
Finished goods and goods for resale	**59**	37
Completed properties for resale	**4**	1
Property developments in progress	**–**	1
	88	69

16 Debtors

	Group		Company	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Amounts falling due within one year				
Trade debtors	**181**	148	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**131**	87
Disposal proceeds	**–**	221	**–**	221
Other debtors	**55**	62	**–**	–
Assets held for disposal	**4**	4	**–**	–
Deferred consideration receivable	**3**	–	**–**	–
Prepayments and accrued income	**122**	102	**–**	–
Instalment sale debtors	**2**	4	**–**	–
Notes receivable	**4**	5	**–**	–
Advance Corporation Tax recoverable	**–**	–	**–**	2
	371	546	**131**	310
Amounts falling due after more than one year				
Trade debtors	**1**	–	**–**	–
Other debtors	**9**	12	**–**	–
Deferred consideration receivable	**11**	–	**–**	–
Prepayments and accrued income	**87**	35	**–**	–
Instalment sale debtors	**10**	18	**–**	–
Notes receivable	**34**	34	**–**	–
	152	99	**–**	–

17 Cash, deposits and current asset investments

	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
Cash, current accounts and overnight deposits	**66**	64	**–**	–
Term deposits	**28**	15	**–**	–
	94	79	**–**	–
Current asset investments	**13**	16	**–**	–
Cash, deposits and current asset investments (note 28)	**107**	95	**–**	–

Current asset investments comprise amounts placed with external fund managers. The majority of the investments can be converted into cash within seven days and the remainder within 30–90 days. The investments are with counterparties with strong credit ratings. Cash, deposits and current asset investments are receiving a mixture of fixed and market floating rates of interest in their currency of denomination, with 84% of the total being held in sterling, 6% in US dollars, 9% in euros and the balance in a mix of other currencies.

18 Loan capital and borrowings

	Group 1999 £m	Group 1998 £m
Bank overdrafts	**21**	12
Bank loans repayable:		
Within one year or on demand	**–**	17
Between one and two years	**591**	29
Between two and five years	**–**	312
	591	358
Other borrowings repayable:		
Within one year or on demand	**106**	59
Between one and two years	**71**	138
Between two and five years	**173**	130
In five years or more	**251**	360
In five years or more – by instalment	**56**	95
	657	782
Total	**1,269**	1,152
Secured	**–**	–
Unsecured	**1,250**	1,134
Obligations under finance leases	**19**	18
Total	**1,269**	1,152
Amounts due within one year or on demand	**127**	88
Amounts due after more than one year	**1,142**	1,064
Loan capital and borrowings (note 28)	**1,269**	1,152

Borrowings of £0.2m are secured by either fixed or floating charges on various assets and certain subsidiary undertakings.

18 Loan capital and borrowings continued

Borrowings shown above include:

(a) borrowings repayable by instalments any instalment of which falls due after five years totalling £156m (1998 £259m), with an average rate of interest payable of 9.75% (1998 9.9%);
(b) £100m 8⅜% eurosterling bonds redeemable at par in 2000 (issued 1993);
(c) £125m 7¼% eurosterling bonds redeemable at par in 2008 (issued 1998);
(d) £124m US$200m 6.75% bonds redeemable at par in 2004 (issued 1997);
(e) £62m US$100m 6.375% bonds redeemable at par in 2008 (issued 1998);
(f) £62m US$100m 7.125% bonds redeemable at par in 2018 (issued 1998); and
(g) bank loans repayable between one and five years of £591m (1998 £341m) which have been classified according to the term of the committed facility under which they have been borrowed, although individual drawdowns are repayable within one year.

The funding policy of the Group is to maintain a broad portfolio of debt, diversified by source and maturity and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements. At 31 December 1999 the Group had available undrawn committed bank facilities of £423m (1998 £654m) of which £Nil mature in less than one year, £423m between one and two years and £Nil in more than two years.

The Company had no borrowings at 31 December 1999 (1998 £Nil).

The finance costs of debt instruments are charged to the profit and loss account over the term of the debt at a constant rate on the carrying amount. Such costs include the costs of issue, any discount to face value arising on issue or any premium payable on maturity.

19 Financial instruments

A description of the policies relating to financial instruments is set out in the Operating and Financial Review on page 23, and also in the Accounting Policies on page 41. Short term debtors and creditors have been excluded from all the following disclosures other than within the currency risk disclosures.

(a) Interest risk management

Financial liabilities

Some 56% of the Group's net borrowings is at fixed rates of interest with a weighted average interest rate of 7.9% and a weighted average term of 6.5 years. The Group actively manages the level of floating rate debt. At 31 December 1999, the Group's net debt was 17% denominated in sterling, 77% in US and Canadian dollars with the balance in a mix of currencies, principally euros. In 1997, the Group used forward starting swaps to fix interest rates on long term instruments in advance of the finalisation of such instruments. Profits or losses arising on such swaps were included in the finance costs of the instruments to which they related and are being amortised over the life of the associated instruments.

After taking account of interest rate swaps, the currency and interest rate exposure of net borrowings as at 31 December 1999 was:

					Fixed borrowings		
	Gross borrowings £m	Cash and investments £m	Net borrowings £m	Floating rate net borrowings £m	Fixed rate borrowings £m	Weighted average interest rate %	Weighted average time for which rate is fixed years
Sterling	283	89	194	8	186	7.8	5.0
US/Canadian dollar	908	8	900	430	470	7.9	7.5
Other currencies (net)	78	10	68	68	–	–	–
Net borrowings	1,269	107	1,162	506	656	7.9	6.5

The floating rate borrowings include bank debt bearing interest at rates based on the relevant inter bank rates in the US, Canada and Europe. These rates are fixed in advance for periods up to six months. The weighted average interest rate on floating net borrowings as at 31 December 1999 was approximately 5.7% (1998 5.7%).

Financial assets

At 31 December 1999, the Group held £44m of instalment sale debtors and notes receivable due after more than one year, denominated in US dollars. Of these £28m are at fixed rates of interest with a weighted average fixed rate of 14.2% and a weighted average period to maturity of six years. The remainder are at variable rates of interest with a weighted average interest rate of 10.6% and a weighted average period to maturity of 11 years.

19 Financial instruments continued

(b) Exchange risk management

After taking into account the effect of forward exchange contracts, there are no material net monetary assets/liabilities of Group companies denominated in currencies other than the relevant Group company's own functional currency. The Group hedges its exposure to the translation of foreign currency net assets using foreign currency borrowings. The table below analyses the Group's net tangible assets and net debt at 31 December 1999.

	1999			1998
	Net tangible assets £m	Net borrowings £m	Net investment £m	Net investment £m
Sterling	**1,425**	**194**	**1,231**	1,189
US/Canadian dollar	**813**	**900**	**(87)**	(9)
Other currencies (net)	**118**	**68**	**50**	58
	2,356	**1,162**	**1,194**	1,238

The Group operates a prudent hedging policy relating to its cross currency business trading cash flows. Currency exposures are netted by currency and hedged forward for up to five years using forward foreign exchange contracts. At the year end at least 70% of anticipated core currency transaction exposures for the following 12 months had been hedged.

The estimated current value of the foreign exchange forward contracts entered into to hedge future transaction flows and on balance sheet exposures is set out below based on quoted market prices.

	1999 Book value £m	1999 Current value £m
Foreign exchange forward rate contracts	**–**	**1**
Foreign currency swaps	**1**	**1**

(c) Fair values

The estimated fair values of borrowings and the associated derivative financial instruments at 31 December 1999 are set out below. The fair value of quoted borrowings are based on year end mid-market quoted prices. The fair values of other borrowings and the derivative financial instruments are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end.

Primary financial instruments held or issued to finance the Group's operations:

	Net carrying amount 1999 £m	Fair value 1999 £m
Short term financial liabilities and current portion of long term borrowings	**(127)**	**(127)**
Long term borrowings	**(1,142)**	**(1,119)**
Cash at bank and liquid investments	**107**	**107**
Other financial assets	**45**	**45**
Preference shares	**(220)**	**(234)**

The difference between net carrying amount and estimated fair value reflects unrealised gains or losses inherent in the instrument based on valuations at 31 December 1999. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

19 Financial instruments continued

(d) Hedges

As explained in the Operating and Financial Review on page 23, the Group's policy is to hedge the following exposures:

- Interest rate risk, using interest and currency swaps. (There were no interest rate swaps outstanding at the year end.)
- Currency risk, using forward foreign currency contracts for foreign currency receipts and payments. Forward foreign currency contracts are also used for currency exposures on future year's forecasted sales.

The table below shows the extent to which the Group has off-balance sheet (unrecognised) and on-balance sheet (deferred) gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amount of such gains and losses which have been included in the profit and loss account for the year and those gains and losses which are expected to be included in next year's or later profit and loss accounts.

All the gains and losses on the hedging instruments are expected to be matched by losses and gains on the hedged transactions or positions.

The Group used forward starting swaps to fix interest rates on long term instruments in advance of the finalisation of such instruments. Any profits or losses arising on such swaps were included in the finance costs of the instrument to which they related and are being amortised over the life of the associated instrument. Consequently, the carrying value of the relevant asset or borrowing effectively includes the gain or loss on the hedging instrument. Such gains and losses are treated as deferred for the purpose of the table below:

			Unrecognised			Deferred
	Gains £m	**Losses £m**	**Total net gains (losses) £m**	Gains £m	Losses £m	Total net gains (losses) £m
Gains and losses on hedges at 1 January 1999:	**–**	**(10)**	**(10)**	1	(6)	(5)
Arising in previous years included in 1999 income	**–**	**4**	**4**	–	1	1
Gains and losses not included in 1999 income:						
Arising before 1 January 1999	**–**	**(6)**	**(6)**	1	(5)	(4)
Arising in 1999 on pre 1 January 1999 contracts	**4**	**–**	**4**	–	–	–
Arising in 1999 on 1999 contracts	**3**	**–**	**3**	–	(1)	(1)
Gains and losses on hedges at 31 December 1999	**7**	**(6)**	**1**	1	(6)	(5)
of which:						
Gains and losses expected to be included in 2000 income	**–**	**–**	**–**	–	(1)	(1)
Gains and losses expected to be included in 2001 income or later	**7**	**(6)**	**1**	1	(5)	(4)

(e) Financial instruments held for trading purposes

The Group does not trade in financial instruments.

(f) Credit risk

The counterparties to the forward exchange contracts and term deposits are major international financial institutions with strong credit ratings. The Group continually monitors its positions and the credit ratings of its counterparties.

20 Other creditors

	Group		Company	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Amounts falling due within one year				
Payments received on account	**13**	8	**–**	–
Trade creditors	**124**	134	**–**	–
United Kingdom corporation tax	**5**	12	**2**	2
Overseas taxation	**3**	2	**–**	–
Other tax and social security	**24**	22	**–**	–
Other creditors	**49**	61	**–**	–
Accruals and deferred income	**171**	163	**5**	9
Accrued dividends	**8**	8	**8**	8
Interim dividend payable on Ordinary shares	**–**	33	**–**	33
Proposed final dividend on Ordinary shares	**62**	99	**62**	99
	459	542	**77**	151
Amounts falling due after more than one year				
Other creditors	**7**	6	**–**	–
Accruals and deferred income	**18**	26	**–**	–
Overseas taxation	**13**	12	**–**	–
	38	44	**–**	–

21 Provisions for liabilities and charges

	Acquisition provisions £m	Onerous contracts £m	Restruc-turing costs £m	Hard Rock £m	Other £m	Total £m
Group						
Balances at 31 December 1998 as previously stated	1	5	–	–	11	17
Prior year adjustment	–	34	–	–	2	36
Balances at 31 December 1998	1	39	–	–	13	53
Businesses acquired	3	–	–	–	–	3
Release of discount	–	2	–	–	–	2
Profit and loss account						
– operating charge (release)	–	–	–	–	(2)	(2)
– exceptional charge	–	14	26	12	–	52
– non-operating items	–	1	–	–	1	2
Utilised in the year	–	(8)	(11)	–	(5)	(24)
Balances at 31 December 1999	**4**	**48**	**15**	**12**	**7**	**86**

Onerous contracts
The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. The provision made in the year includes costs relating to properties which have become surplus to requirements as a result of the restructuring programme. The provision principally relates to cash flows arising over the next 20 years.

Restructuring
As announced at the time of the interim results, Rank has embarked on a reorganisation and an overhead reduction programme which will eliminate jobs, consolidate offices and achieve significant cost savings. The restructuring provision relates primarily to redundancy costs resulting from the planned reduction in headcount across all the businesses (see note 2 for further details). These provisions are expected to be utilised within the next financial year.

21 Provisions for liabilities and charges continued

Hard Rock

The provision held relates to the estimated cost of terminating the contractual arrangement with the National Basketball Association to build ten cafes worldwide over the next few years which is described in more detail in note 2.

Other provisions

Other provisions include a provision relating to a number of legal claims which have been made against the Group. Notwithstanding the intention of the Directors to defend vigorously these claims, provisions have been made in respect of the costs associated with defending them. It is not possible to determine the timing of these costs. Having obtained legal advice and on the basis of the information available, the Directors believe that the provision made represents their best estimate of the associated costs and that it is unlikely that these disputes will have a material effect on the Group's financial position.

22 Deferred taxation

	Provided		Not recognised	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Group				
Capital allowances	**–**	–	**(27)**	(33)
Other timing differences	**–**	–	**–**	1
	–	–	**(27)**	(32)

The above figures exclude taxation payable in the event of the accumulated reserves of certain overseas subsidiary and associated undertakings being distributed as there is no present intention to distribute them.

23 Capital and reserves

	1999			1998		
	Authorised	**Issued and fully paid**		Authorised	Issued and fully paid	
	Nominal value £m	**Number m**	**Nominal value £m**	Nominal value £m	Number m	Nominal value £m
US$ Cumulative Preference shares	**3**	**–**	**–**	3	–	–
Convertible Cumulative Redeemable Preference shares of 20 pence each	**60**	**227.4**	**45**	60	227.5	45
Ordinary shares of 10 pence each	**120**	**773.6**	**78**	120	773.6	78
	183		**123**	183		123

Under the Share Savings Schemes operated by the Company employees hold options to subscribe for up to 8,047,022 (1998 4,366,049) Ordinary shares at prices between 179p and 349.46p per share exercisable by 31 October 2004.

Under the Executive Share Option Schemes operated by the Company, Directors and executives hold options to subscribe for up to 18,404,742 (1998 15,223,432) Ordinary shares at prices ranging between 222.75p and 483.75p per share exercisable by 13 September 2009. Under the Long Term Incentive Plan ("LTIP") operated by the Company, executives hold options to subscribe for 65,611 (1998 65,611) Ordinary shares, exercisable by 2005.

Options granted under the Share Savings Schemes are exercisable normally within a period of six months after the third or fifth anniversary of the SAYE contract. Options granted under the Executive Share Option Schemes are exercisable normally within a period commencing on the third anniversary and ending on the tenth anniversary of the date of grant. Options granted under the LTIP are exercisable normally within a period commencing on the second anniversary and ending on the seventh anniversary of the date of grant.

	Share capital			**Share premium account**
	Preference £m	**Ordinary £m**	**Total £m**	**£m**
Share capital and share premium account				
Balances at 31 December 1998	45	78	123	8
Issue of Ordinary shares in the year	–	–	–	–
Balances at 31 December 1999	**45**	**78**	**123**	**8**

23 Capital and reserves continued

On 10 June 1999, 19,188 Ordinary shares were issued by virtue of the conversion of 70,723 Preference shares. A further 3,572 Ordinary shares were issued during the year on the exercise of options.

Non-equity shareholders' funds relate entirely to the Convertible Cumulative Redeemable Preference shares ("Preference shares"). These shares carry an entitlement to a dividend at the rate of 8.25p (net) per share per annum. They are convertible in any of the years up to 2003 into Ordinary shares of 10p each at a rate equivalent to 27.132 Ordinary shares for every 100 Preference shares and may be redeemed at £1 per share at any time after 30 June 2003 at the option of the Company and, in any event, will be redeemed at £1 per share on 31 July 2007. Holders of the Preference shares have one vote for every five shares held but only on a resolution for the winding-up of the Company or on a resolution affecting the rights attached to the shares or if the Preference dividend has remained unpaid for six months. Holders of Preference shares have the right on a winding-up to receive in priority to any other class of shares the sum of £1 per share together with any arrears of dividend.

	Group £m	Company £m
Capital redemption reserve		
Balances at 31 December 1999 and 31 December 1998	7	7

Other reserves	Company and its subsidiaries: Preference redemption £m	Company and its subsidiaries: Other £m	Associated under-takings £m	Group £m
Group				
Balances at 31 December 1998 as previously stated	5	1,175	(2)	1,178
Prior year adjustments	–	(87)	–	(87)
Balances at 31 December 1998	5	1,088	(2)	1,091
Currency translation adjustments	–	(7)	–	(7)
Deficit on profit and loss account for the year	–	(46)	–	(46)
Provision for redemption premium	2	–	–	2
Realisation of goodwill on disposals	–	6	–	6
Balances at 31 December 1999	**7**	**1,041**	**(2)**	**1,046**

Of the £7m loss on other net currency translation adjustments, a loss of £19m arises from the translation of foreign currency borrowings less deposits. The total cumulative goodwill eliminated against reserves at 31 December 1999 amounted to £1,070m (1998 £1,061m).

Other reserves	Preference redemption £m	Other £m	Total £m
Company			
Balances at 31 December 1998	5	2,396	2,401
Deficit on profit and loss account for the year	–	(107)	(107)
Provision for redemption premium	2	–	2
Balances at 31 December 1999	**7**	**2,289**	**2,296**

24 Analysis of minority interests

	Equity £m	Non-equity £m	Total £m
Balances at 31 December 1998	12	–	12
Minority interest in the profit on ordinary activities after tax	2	–	2
Balances at 31 December 1999	**14**	**–**	**14**

25 Reconciliation of operating profit to operating cash flows

	1999 £m	1998 £m
Operating profit	**209**	175
Exceptional charges	**98**	99
Cash payments in respect of exceptional charges	**(22)**	(5)
Depreciation	**139**	136
(Increase) decrease in stocks	**(19)**	(8)
(Increase) in debtors	**(81)**	(32)
Increase (decrease) in creditors	**4**	(3)
Other items	**(13)**	(2)
Net cash inflow from operating activities	**315**	360

26 Purchase of subsidiaries and minorities

	1999 £m	1998 £m
Tangible fixed assets	**16**	46
Net current (liabilities) excluding cash	**(4)**	(2)
Net assets	**12**	44
Goodwill (note 9)	**1**	3
	13	47
Satisfied by:		
Cash paid	**11**	47
Less: cash acquired with subsidiaries	**–**	(1)
Cash outflow on purchase of subsidiaries	**11**	46
Borrowings acquired	**2**	1
Consideration	**13**	47

There were no material differences between the book values of assets and liabilities in the acquired entities' books immediately before acquisition and the fair values in the table above. In addition, no changes were necessary as a result of aligning accounting policies. Acquisitions in the year principally consist of the acquisition of three French caravan parks (acquired in August), the Electric Switch DVD business (acquired in May) and three small video duplication plants in Holland, Italy and Sweden (acquired in July and August).

27 Sale of businesses and investments

	1999 Businesses £m	1999 Investments £m	1999 Total £m	1998 £m
Net assets disposed of:				
Tangible fixed assets	**128**	**–**	**128**	11
Interests in associated undertakings and investments	**–**	**–**	**–**	(1)
Stocks	**1**	**–**	**1**	–
Debtors	**2**	**221**	**223**	224
Creditors	**(13)**	**(2)**	**(15)**	(1)
	118	**219**	**337**	233
Goodwill previously eliminated against reserves	**6**	**–**	**6**	5
Profits less losses on disposal before tax (net)	**32**	**–**	**32**	(1)
Sales consideration	**156**	**219**	**375**	237
Consisting of:				
Sales proceeds less related costs	**160**	**219**	**379**	237
Cash and overdrafts disposed of with subsidiaries	**(3)**	**–**	**(3)**	–
Cash inflow from sale of businesses and investments	**157**	**219**	**376**	237
Other related costs	**(15)**	**–**	**(15)**	–
Deferred consideration receivable	**14**	**–**	**14**	–
	156	**219**	**375**	237

Businesses sold in the year principally comprised Nightscene, Butlins holiday hotels and the Haven catered parks. Cash received from sale of investments represents the receipt of part of the deferred consideration from the sale of Rank Xerox in 1997.

28 Reconciliation to net debt

	1999 £m	1998 £m
Increase (decrease) in cash in the year	**7**	(14)
Increase in debt and lease financing	**(78)**	(24)
Movement in liquid resources (a)	**(3)**	–
Increase in net debt from cash flows	**(74)**	(38)
Loan and finance leases acquired with subsidiary	**(2)**	(1)
New finance leases	**(10)**	(9)
Foreign exchange differences	**(19)**	3
Increase in net debt in year	**(105)**	(45)
Net debt at 1 January	**(1,057)**	(1,012)
Net debt at 31 December	**(1,162)**	(1,057)
Cash, deposits and current asset investments (note 17)	**107**	95
Loan capital and borrowings (note 18)	**(1,269)**	(1,152)
Net debt at 31 December	**(1,162)**	(1,057)

(a) The movement in liquid resources consisted of purchases of deposits and investments of £6m (1998 £9m) and sales of £9m (1998 £9m).

29 Analysis of net debt

	31 December 1998 £m	Cash inflow (outflow) £m	Acquisitions (excluding cash and overdrafts) £m	Other non-cash changes £m	Foreign exchange differences £m	**31 December 1999 £m**
Cash in hand, at bank	79	16	–	–	(1)	94
Overdrafts	(12)	(9)	–	–	–	(21)
		7				73
Debt due after one year	(1,046)	(165)	(1)	105	(16)	(1,123)
Debt due within one year	(76)	77	–	(105)	(2)	(106)
Finance leases	(18)	10	(1)	(10)	–	(19)
		(78)				(1,248)
Liquid resources	16	(3)	–	–	–	13
Total	(1,057)	(74)	(2)	(10)	(19)	(1,162)

Liquid resources comprise current asset investments which, as described in note 17, represent amounts readily convertible into cash.

30 Directors

(a) Directors' interests

The Directors' interests in shares or stocks of the Company, including options to purchase Ordinary shares under the terms of the Group's executive share option schemes, Long Term Incentive Plan ("LTIP") and share savings schemes, are detailed in the Remuneration Report. Peter Jarvis' acquisition of an additional 10,000 Ordinary shares in 1999 was made on 18 February 1999 at a price of 225p per Ordinary share. Details of options to subscribe for Ordinary shares of the Company granted to and exercised by Directors, or which lapsed, in the year ended 31 December 1999 are also detailed in the Remuneration Report.

(b) Total emoluments of the Directors of The Rank Group Plc	**1999 £000**	1998 £000
Fees	**158**	139
Basic salaries, allowances and taxable benefits	**1,334**	1,373
Bonuses	**399**	–
Pension contributions – defined benefits	**48**	56
Pension contributions – defined contributions	**–**	209
Salary supplements	**166**	–
Payments to former Directors under the LTIP	**–**	155
Compensation for loss of office – Andrew Teare (including cost of pension enhancement – £477,400)	**–**	874
Compensation for loss of office – John Garrett (including cost of pension enhancement – £149,000)	**–**	606
Compensation for loss of office – Nigel Turnbull (including cost of pension enhancement – £156,100)	**571**	–
Compensation for loss of office – Douglas Yates	**451**	–
Total emoluments	**3,127**	3,412
(c) Emoluments of Chairman	**290**	291
(d) Emoluments of highest paid Director*	**650**	625

(e) Company policy on the remuneration of Directors and details of the remuneration of each Director are set out in the Remuneration Report on pages 26 to 30.

*Including company contributions to defined contribution pension arrangements.

31 Employees

Employee costs	1999 £m	1998 £m
Wages and salaries	**482**	466
Social security costs	**38**	39
Other pension costs	**10**	11
	530	516

Average number of employees by geographical area	1999	1998
United Kingdom	**24,941**	25,327
North America	**9,044**	10,826
Rest of the World	**2,259**	2,355
Continuing operations	**36,244**	38,508
Discontinued operations	**6,837**	7,077
Average in year	**43,081**	45,585

Provision for pension and similar obligations

United Kingdom The Group has two pension schemes for UK employees, both of which are contracted out of the State Earnings Related Pension arrangements. The schemes are externally funded under separate trusts and the funds' assets are held separately from Group assets. The accounts of both schemes for the year ended 5 April 1999 have been reported upon by their auditors without qualification.

The Rank Pension Plan is a defined benefit scheme with pensions fixed by reference to final pay and length of service. The market value of the funds' assets at 5 April 1999 was £542m (1998 £509m) excluding the value of annuities purchased to match pensions in payment.

Formal actuarial valuations of the Plan are carried out triennially by an independent actuary, William M. Mercer Ltd, using the Projected Unit Method. The most recent valuation has an effective date of 5 April 1999 and although not yet formally signed has been used to determine the pension charge for the year to 31 December 1999. The main actuarial assumptions adopted were that the rate of return on investments will be 5.75% per annum, the rate of increase of pensionable remuneration will be 4.0% per annum, the rate of discretionary pension increases will be nil, and for pensions in payment entitled to increases in line with price inflation subject to a maximum of 5% per annum, the assumption is 2.75% per annum. Assets were taken at their market value. The value of the assets was sufficient to cover 114% of the accrued benefits allowing for expected future increases in earnings.

The pension charge for the year to 31 December 1999 was £6m (1998 £6m). The charge was determined after spreading the expensing surplus of £57m (1998 £11m) over the average remaining service lives of the active members of the Plan. A charge of £4m was made in respect of a discretionary pension increase awarded in April 1999.

The actual Group cash contributions to the Plan in the year to 31 December 1999 totalled £6m (1998 £6m). At 31 December 1999 there was a prepayment in debtors of £12m (1998 £12m) resulting from the difference between pension costs charged in the accounts and the amounts funded to date.

The Rank Money Purchase Pension Scheme is a defined contribution scheme with benefits which depend on the contribution levels and the emerging investment performance. The market value of its assets at 5 April 1999 was £30m (1998 £27m). Group contributions to this scheme in the year to 31 December 1999 totalled £1m (1998 £1m).

USA The Group operates defined contribution schemes in the USA. Group contributions to these schemes totalled £3m (1998 £3m).

Other countries Group contributions to schemes for employees in other countries totalled £Nil (1998 £Nil).

32 Contingent liabilities

	1999 £m	1998 £m
Group		
Guarantees by the Company and by subsidiary undertakings, and uncalled liability in respect of partly paid shares	**33**	330

The Group is involved in a dispute with Serena Holdings Limited over the purchase consideration of an acquisition which has been referred to an expert for determination. The dispute centres upon the parties' contentions in relation to the accounts and the profits of the businesses based upon which an additional purchase consideration may be payable. The Directors are strongly resisting the payment of any further sum. At the present time the outcome to the Group cannot be determined and the potential liability cannot be quantified. However, it is the opinion of the Directors that it is unlikely that the outcome of this dispute will have a material effect on the Group's financial position.

A subsidiary undertaking is involved in class action suits in the USA. The actions are being vigorously contested and the Directors believe that none of these actions will result in a material adverse effect on the financial condition of the Group.

A subsidiary undertaking is involved in a contract dispute with a customer in the USA. The customer is claiming unspecified but substantial damages for alleged failure on the part of the subsidiary to comply with the terms of a certain contract. No provision has been made in the financial statements as the outcome of this dispute is currently uncertain and any potential liability cannot be quantified. The Directors are of the opinion that this matter can be settled without a material adverse effect on the financial condition of the Group. Additional information required to be disclosed by FRS 12, "Provisions, contingent liabilities and contingent assets", is not disclosed on the grounds that it can be expected to prejudice the outcome of the matter.

	1999 £m	1998 £m
Company		
Guarantees of advances to subsidiary undertakings and uncalled liabilities in respect of partly paid shares	**1,660**	1,588

No security has been given in respect of any contingent liability.

33 Commitments

Future capital expenditure At 31 December 1999 commitments for capital expenditure amounted to £47m (1998 £190m) for the Group and £Nil (1998 £Nil) for the Company.

Group operating lease commitments At 31 December 1999 commitments to make payments under operating leases in the following 12 months was:

	Land and buildings		Plant and machinery	
	1999 £m	1998 £m	1999 £m	1998 £m
Leases expiring in one year	**2**	1	**–**	–
Leases expiring in two to five years	**17**	9	**2**	2
Leases expiring in more than five years	**36**	43	**–**	–
	55	53	**2**	2

Advance payments under supply contracts

At 31 December 1999, the Group had commitments to make advance payments in future years under film processing and video duplication contracts of £64m (1998 £75m).

34 Related party transactions

During the year the Group traded with its joint venture investment, BL Rank Properties Ltd ("BLRP"). £12m of rental payments to BLRP were made in the year.

The Group recharges the Rank Group UK Pension Schemes with the costs of administration and independent pension advisers borne by the Group. The total amount recharged in the year ended 31 December 1999 was £1.7m (1998 £1.5m).

35 Post balance sheet events

On 21 February 2000, the Group announced the sale of Odeon to Cinven for a consideration of £280m. Certain third party liabilities within Odeon, which principally relate to the construction of new cinemas, will be for the Group's account resulting in net cash proceeds of approximately £272m. For the year ended 31 December 1999, Odeon's turnover was £143m and its operating profit was £23m.

On 22 February 2000, the Group announced the sale of Pinewood Studios to a consortium led by Michael Grade and Ivan Dunleavy, and backed by 3i plc, for a consideration of £62m. The consideration will be satisfied by cash of £55.5m and an interest free loan note of £6.5m repayable in 2007. For the year ended 31 December 1999, Pinewood Studios' turnover was £15m and its operating profit before exceptional items was £5m.

Principal Subsidiary Undertakings

The Rank Group Plc ("Rank") owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies. There are also holdings of preference shares which are separately disclosed. The companies are incorporated in Great Britain unless otherwise indicated after the company name. The principal operations are carried out in the country of registration.

Deluxe	Principal activities
Deluxe Laboratories Limited	Film processing laboratory
Deluxe Laboratories Inc. (USA)	Film processing laboratory
Deluxe Toronto Limited (Canada)	Film processing laboratory
Deluxe Video Services Inc. (USA)	Video duplication and distribution
Deluxe Video Services GmbH (Germany)	Video duplication and distribution
Deluxe Video Services, S.L. (Spain)	Video duplication and distribution
Deluxe Video Services Limited	Video duplication and distribution
Deluxe Video Services S.A. (France)	Video duplication and distribution
Gaming	
Grosvenor Casinos Limited	London and provincial casinos
Mecca Bingo Limited	Social and bingo clubs
Rank Leisure Machine Services Limited	Amusement machine hire and sales
Hard Rock	
Hard Rock Cafe International (USA) Inc. (USA)	Operates and franchises Hard Rock Cafes worldwide
Holidays	
Butlins Limited *(Rank also owns indirectly all the 6% cumulative preference shares)*	Family Entertainment Resorts
Haven Leisure Limited	Caravan/chalet parks in the UK, France, Spain and Italy
Oasis Villages Limited	Holiday villages
Resorts USA Inc. (USA)	Outdoor World holiday memberships at caravan park resorts, the sale of timeshares, second homes and land
Warner Holidays Limited	Holidays just for adults
Rank Holidays Division Limited	Holding company
Tom Cobleigh	
Tom Cobleigh Plc	Operates and develops a managed public house estate
Holding & Other Companies	
Rank America Inc. (USA)	Owns the Group's investments in the USA
Rank Group Finance Plc	Funding operations for the Group
Rank Holding España SA (Spain)	Owns the Group's investments in Spain
Rank Holdings (France) SA (France)	Owns the Group's investments in France
Rank Holdings (Germany) GmbH (Germany)	Owns the Group's investments in Germany
Rank Holdings (Netherlands) BV (Netherlands)	Owns the Group's investments in Rank America Inc. and other overseas subsidiary undertakings
Rank Hotels Orlando Inc. (USA)	Owns the Group's investment in Universal Rank Hotel Partners
Rank Leisure Holdings Plc	Owns the Group's investments in the UK operating subsidiary undertakings, Rank Overseas Holdings Limited and BL Rank Properties Ltd
Rank Orlando Inc. (USA)	Owns the Group's investments in Universal City Florida Partners
Rank Orlando II Inc. (USA)	Owns the Group's investments in Universal City Development Partners
Rank Overseas Holdings Limited	Owns the Group's investment in Rank Holdings (Netherlands) BV

A full list of subsidiary undertakings will be included with the Company's Annual Return.

Principal Associated Undertakings

Universal Studios Escape

In the segmental analysis set out on pages 42 and 43, the Group's interests in Universal City Florida Partners ("UCFP") and Universal City Development Partners ("UCDP") are referred to as Universal Studios Escape. The Group's interest in Universal Rank Hotel Partners ("URHP") is referred to below as Hotels. All three partnerships are 50% owned between the Group and Universal Studios, Inc., a subsidiary of The Seagram Company Ltd. URHP holds a 50% interest in Universal City Florida Hotel Venture ("UCFHV"), the other 50% being owned by Loews Corporation ("Loews").

UCFP owns and operates a film and television studio and motion picture theme park in Orlando ("Universal Studios Florida"). UCDP has developed, and now operates, a second theme park ("Islands of Adventure") adjacent to Universal Studios Florida and an entertainment zone ("CityWalk"). Universal Studios Escape is the name under which these entities appear to the public. The entities that comprise CityWalk opened at various times during the first half of 1999, and Islands of Adventure officially opened at the end of May 1999.

UCFHV is developing and, in one case, operating hotels adjacent to Universal Studios Escape. The partnership has completed one hotel, the "Portofino Bay Hotel at Universal Studios Escape – a Loews Hotel" which opened in September 1999. UCFHV is constructing a second hotel, the "Hard Rock Hotel", due to open in December 2000, and a further hotel is planned to open in 2002.

A summary of the Group's share of the financial statements of the various partnerships is set out below.

	1999			
	Universal Studios Escape £m	**Hotels £m**	**Total £m**	1998 £m
Profit and loss account (Group share)				
Turnover	**189**	**3**	**192**	114
Operating profit	**21**	**1**	**22**	27
Net interest payable	**(23)**	**(1)**	**(24)**	(5)
Exceptional items	**(44)**	**(2)**	**(46)**	(24)
Loss before tax	**(46)**	**(2)**	**(48)**	(2)

The Hotels partnership did not trade during 1998.

	1 January 2000			26 December 1998		
	Universal Studios Escape £m	**Hotels £m**	**Total £m**	Universal Studios Escape £m	Hotels £m	Total £m
Balance sheet (Group share)						
Fixed assets	**726**	**50**	**776**	632	27	659
Current assets						
Cash and deposits	**–**	**1**	**1**	10	3	13
Other	**48**	**4**	**52**	45	1	46
	48	**5**	**53**	55	4	59
Creditors (amounts falling due within one year)						
Other	**(85)**	**(5)**	**(90)**	(73)	(5)	(78)
Net current liabilities	**(37)**	**–**	**(37)**	(18)	(1)	(19)
Total assets less current liabilities	**689**	**50**	**739**	614	26	640
Creditors (amounts falling due after more than one year)						
Loan capital and borrowings	**(440)**	**(30)**	**(470)**	(384)	(14)	(398)
Net assets	**249**	**20**	**269**	230	12	242
Additional Group investment	**83**	**2**	**85**	75	1	76
Total carrying value	**332**	**22**	**354**	305	13	318

Five Year Review

Year ended 31 December

	1999 £m	1998 £m	1997 £m	1996 £m	1995 Proforma £m
Turnover					
Current operations	**1,808**	1,818	1,774	1,647	1,473
Former operations	**233**	239	238	437	446
	2,041	2,057	2,012	2,084	1,919
Operating profit before exceptional items					
Current operations	**267**	241	259	240	210
Former operations	**40**	33	43	46	40
	307	274	302	286	250
Exceptional items charged against operating profit	**(98)**	(99)	(9)	(177)	–
Non-operating items (including share of associates)	**32**	(207)	(43)	(62)	236
Universal Studios Escape before exceptional items	**(2)**	22	20	14	10
Universal Studios Escape exceptional items	**(46)**	(24)	(9)	(2)	(1)
Rank Xerox	**–**	–	–	–	187
Other associates and joint ventures	**2**	1	–	–	(1)
Dividends receivable from Rank Xerox	**–**	–	20	49	–
Interest (net)	**(87)**	(50)	(48)	(50)	(45)
Profit (loss) before tax	**108**	(83)	233	58	636
Tax	**(38)**	(55)	(60)	(94)	(123)
Minority interests	**(2)**	(3)	(3)	(3)	(3)
Preference dividends and appropriations	**(21)**	(21)	(20)	(21)	(21)
Earnings (loss)	**47**	(162)	150	(60)	489
Earnings (loss) per Ordinary share	**6.1p**	(21.2)p	18.4p	(7.4)p	58.7p
Earnings per Ordinary share before exceptional items	**19.9p**	22.0p	25.6p	21.6p	31.2p
Total Dividend per Ordinary share	**12.00p**	18.50p	18.00p	17.00p	15.75p

Year ended 31 December

	1999 £m	1998 £m	1997 £m	1996 £m	1995 Proforma £m
Group funds employed					
Fixed assets	**1,938**	1,872	1,863	1,574	1,518
Investments	**390**	348	239	1,120	620
Other assets (net)	**32**	78	398	18	96
Total funds employed at year end	**2,360**	2,298	2,500	2,712	2,234
Financed by					
Ordinary share capital and reserves	**964**	1,011	1,245	1,542	1,571
Preference share capital including premium	**220**	218	216	214	212
Minority interests	**14**	12	27	26	25
	1,198	1,241	1,488	1,782	1,808
Net debt	**1,162**	1,057	1,012	930	426
	2,360	2,298	2,500	2,712	2,234
Average number of employees (000's)	**43.1**	45.6	43.7	43.5	39.1

The results for the years 1995–1998 have been restated for the changes in accounting policies relating to the adoption of FRS 12 ("Provisions, contingent liabilities and contingent assets") and pre-opening expenses.

The proforma results for the year 1995 are those of The Rank Organisation Plc and its subsidiaries. These results have been additionally restated to reflect the changes in accounting policies relating to casinos' turnover and fixed asset revaluations. Operating profit has been restated to identify exceptional items separately.

Environmental Statement

The Rank Group's policy is to encourage respect for the environment; Rank adopts an environmentally responsible attitude in the fulfilment of its business objectives. Close attention is paid to energy and water conservation and recycling of waste material where economically practical.

Good examples of the way in which this policy is put into practice are two major developments within Rank's Holidays Division completed in 1999, namely the conversion of Butlins Holiday Worlds at Ayr and Pwllheli to new Haven Holiday Parks, respectively Craig Tara and Hafan y Môr, and the creation of a new Warner historic hotel at Cricket St Thomas.

The ageing Butlins Holiday Worlds were in particularly attractive locations on the Lleyn Peninsula near Snowdonia and Heads of Ayr, South Ayrshire, looking out towards the Isle of Arran, but were environmentally intrusive with old, often two storey, buildings of differing vintage, finishes and architectural style. Conversion to Haven sites called for large scale demolition, re-modelling of facilities and accommodation, and the siting of several hundred static caravans.

As a principle, the skyline impact was considered a material factor in creating the new image and reducing the effect of these major holiday destinations on their surrounding environment. Uses were consolidated and many old buildings cleared or reduced in height. Refurbishment and new-build works were completed in regional styles and materials wherever practicable and all demolition materials capable of re-use were crushed on site and recycled. This process reduced the use of quarried material, the transfer of waste to landfill sites and heavy transport movements locally.

Retained buildings were insulated to current standards and energy saving fittings used throughout; many inefficient services were renewed and all refrigeration is now CFC free. To avoid light pollution low-level bollard and shielded street lighting mitigated the potential increased impact from opening up the sites.

Prior to commencement of the building works, full tree surveys were completed and protective disciplines instilled in main contractors to preserve mature tree stock. At Hafan y Môr some 61,000 trees and shrubs were planted around the periphery of the operational area to create long term screening and a further 7,500 trees and shrubs were planted as internal landscaping. At Craig Tara some 40,000 trees and shrubs augmented the existing landscaping.

At both Holiday Parks agreement was reached with the planning authorities identifying the most visible accommodation zones and Haven has agreed that only caravans from an agreed range of environmentally appropriate colours will be used in these areas.

It is believed that these projects have set new standards for holiday park development and the outcome has been welcomed by guests, local residents and authorities.

The creation of a new Warner historic hotel at Cricket St Thomas, Somerset, involved the restoration of a nationally important historic building and its associated historic park and gardens, with the subtle and unobtrusive integration of new and viable uses.

The historic building, designed by Sir John Soane in the 18th century, has been restored using traditional methods, local materials and specialist skilled stonemasons, bricklayers, joiners and other craftsmen and conservators both internally and externally. Warner devised subtle and unobtrusive integration of new uses and new build within this historic environment in discrete designs and locations which do not visually conflict with the status and settings of the historic building or park and gardens.

The careful assimilation of new developments into such an important historic landscape setting was greatly assisted by research and landscape appraisals. These helped decisions on siting new development and lead the production of landscape management plans, which established appropriate landscape restoration proposals.

Warner is committed to developing its historic and character hotels business and the continuity of its opening programme illustrates the successful track record in working with English Heritage and other conservation bodies in restoring and preserving the historic environment in a commercially viable format.

Shareholder Information

Ordinary shares
The total number of Ordinary shares in issue as at 31 December 1999 was 773,611,130 shares which were held by a total of 35,481 shareholders.

Convertible Preference shares
The total number of Convertible Preference shares in issue as at 31 December 1999 was 227,383,177 shares which were held by a total of 17,591 shareholders.

American Depositary Receipts (ADRs)
The Company's Ordinary shares are traded on NASDAQ in the form of American Depositary Shares, evidenced by ADRs and traded under the symbol "RANKY". Each American Depositary Share represents two Ordinary shares. The total number of American Depositary Shares in issue as at 31 December 1999 was 2,730,198 (representing 5,460,396 Ordinary shares) which were held by a total of 3,030 ADR holders.

Morgan Guaranty Trust Company of New York is the depositary bank. All enquiries regarding ADR holder accounts and payment of dividends should be directed to Morgan Guaranty Trust Company of New York, Morgan ADR Service Center, PO Box 842006, Boston, Massachusetts 02284-2006 USA (Tel: 1-800-428-4237 (toll-free in the USA) or +1-781-575-4328 (from outside the USA)).

Share price information
The latest information on the Rank Ordinary share price is available on Ceefax and on the Financial Times Cityline Service: Tel: 0336 433771 (calls charged at 60p per minute).

Capital gains tax
For the purpose of calculating UK capital gains tax on a disposal of Ordinary shares in the Company (including shares held in the predecessor company, The Rank Organisation Plc) held since 31 March 1982, the price of the Company's shares at that date was 190p per share. This price should be adjusted for the effects of the rights issue in January 1990, the enhanced share alternative in November 1993, the sub-division and consolidation of shares in March 1994 and the enhanced scrip dividend in March 1998.

Share dealing service
Hoare Govett Limited has established a low-cost share dealing service which enables investors to buy or sell certificated shareholdings in the Company in a simple, economic manner. Basic commission is 1%, with a minimum charge of £10. Transactions are executed and settled by Pershing Securities Limited. Forms can be obtained from Hoare Govett, 4 Broadgate, London EC2M 7LE (Tel: 020 7601 0101).

Shareholders' concession
A leaflet detailing the concessions available to private shareholders in 2000 was circulated with the Company's 1999 Interim Report. The concessions are available to Convertible Preference shareholders as well as Ordinary shareholders. Further copies are available from the Secretary.

Form 20-F
The Company is subject to the regulations of the Securities and Exchange Commission ("SEC") in the USA as they apply to foreign companies. The Company will file its annual report on Form 20-F with the SEC. Copies of the Directors' Report and Accounts and Form 20-F can be obtained in the USA by contacting Morgan Guaranty Trust Company of New York at the address quoted above.

Registrar
All enquiries relating to Ordinary and Convertible Preference shareholders, dividends and changes of address should be addressed to the Company's Registrar, (quoting Reference number 1235), Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA (Tel: 0870 600 3953).

For further information please contact:
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2000 Financial Calendar

January
Dividend payment on Convertible Preference shares

April
Annual General Meeting

May
Final Dividend payment on Ordinary shares

July
Dividend payment on Convertible Preference shares

September
Interim results announcement

October
Interim Dividend payment on Ordinary shares

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